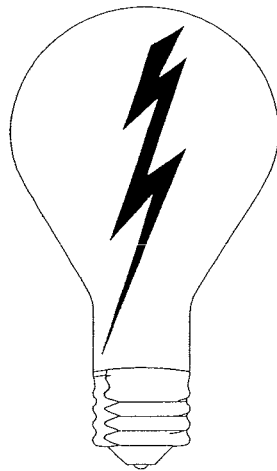


YEAR ENDING 2004

ANNUAL REPORT  
OF  
**Black Hills Corporation**

ELECTRIC UTILITY



TO THE  
PUBLIC SERVICE COMMISSION  
STATE OF MONTANA  
1701 PROSPECT AVENUE  
P.O. BOX 202601  
HELENA, MT 59620-2601

# Electric Annual Report

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# Electric Annual Report

## Instructions

### General

1. A Microsoft EXCEL 2000 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell.
2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through "TOOLS – PROTECTION – UNPROTECT SHEET" on your toolbar. Formulas and checks are built into most of the templates.
3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the "Control" worksheet at the front of the workbook. The explanations start at cell A1.
4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. **Please submit one unbound copy of the annual report along with the regular number of annual reports that you submit.** This aids in scanning the report so that it may be published on our web site. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5" by 11" page with the left binding edge (top if landscaped) set at .85", the right edge (bottom if landscaped) set at .4", and the remaining two margins at .5". You may select specific schedules to print – See the worksheet "CONTROL".
5. Indicate negative amounts (such as decreases) by enclosing the figures in parentheses ( ).
6. Where space is a consideration, information on financial schedules may be rounded to thousands of dollars. Companies submitting schedules rounded to thousands shall so indicate at the top of the schedule.
7. Where more space is needed or more than one schedule is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).
8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.

9. All companies owned by another company shall attach a corporate structure chart of the holding company.
10. Schedules that have no activity during the year or are not applicable to the respondent shall be marked as not applicable and submitted with the report.
11. The following schedules shall be filled out with information on a total company basis:
  - Schedules 1 through 5
  - Schedules 6 and 7
  - Schedule 14
  - Schedule 17 and 18
  - Schedules 23 through 26
  - Schedules 33 and 34

All other schedules shall be filled out with either Montana specific data, or both total company and Montana specific data, as indicated in the schedule titles and headings.

Financial schedules shall include all amounts originating in Montana or allocated to Montana from other jurisdictions.

12. FERC Form-1 sheets may not be substituted in lieu of completing annual report schedules.
13. Common sense must be used when filling out all schedules.

### **Specific Instructions**

#### **Schedules 6 and 7**

1. All transactions with affiliated companies shall be reported. The definition of affiliated companies as set out in 18 C.F.R. Part 101 shall be used.
2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.
3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

#### **Schedules 8, 18, and 23**

1. Include all notes to the financial statements required by the FERC or included in the financial statements issued as audited financial statements. These notes shall be included in the report directly behind the schedules and shall be labeled appropriately (Schedule 8A, etc.).

**Schedule 12**

1. Respondents shall disclose all payments made during the year for services where the aggregate payment to the recipient was \$5,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$1,000,000 shall report aggregate payments of \$25,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$10,000,000 shall report aggregate payments of \$75,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

**Schedule 14**

1. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.
2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.
3. Interest rate percentages shall be listed to two decimal places.

**Schedule 15**

1. All changes in the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 and 16. All assumptions used in quantifying cost containment results shall be disclosed.
2. Schedule 15 shall be filled out using FASB 106 and 132 guidelines.

**Schedule 16**

1. Include in the "other" column ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached directly behind the original schedule.

### **Schedule 17**

1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).
2. Include in the "other" column ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
3. All items included in the "other" compensation column shall be listed separately. Where more space is needed additional schedules may be attached directly behind the original schedule.
4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

### **Schedule 24**

1. Interest expense and debt issuance expense shall be included in the annual net cost column.

### **Schedule 26**

1. Earnings per share and dividends per share shall be reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)
2. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "TOTAL Year End" row. If the computer disk is used, enter the year end market price in the "High" column.

### **Schedule 27**

1. All entries to lines 9 or 16 must be detailed separately on an attached sheet.
2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in ratebase may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.
3. Indicate, for each adjustment on lines 28 through 46, if the amount is updated or is from the last rate case. All adjustments shall be calculated using Commission methodology.

### **Schedule 28**

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.

**Schedule 31**

1. This schedule shall be completed for the year following the reporting year.
2. Respondents shall itemize projects of \$50,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$1,000,000 shall itemize projects of \$100,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$10,000,000 shall itemize projects of \$1,000,000 or more. All projects that are not itemized shall be reported in aggregate and labeled as Other.

**Schedule 32**

1. Provide a written narrative detailing the sources and amounts of electric supply at the time of the annual peak.

**Schedule 34**

1. The following categories shall be used in the Type column: Thermal, Hydro, Nuclear, Solar, Wind, GeoThermal, Qualifying Facility (QF), Independent Power Producer (IPP), Off System Purchases, or Other. Spot market purchases shall be separately identified. Entries for the Other category shall be listed as separate line items and include a description.

Note: For Off System Purchases, the Utility/Company whom the purchases are being made from shall be entered in the Plant Name column, the termination date of the purchased power contract shall be entered in the Location column.

2. Provide a written narrative of all outages exceeding one hour which occurred during the year. Explain the reason for the outage. If routine maintenance schedules are exceeded, explain the reason.

**Schedule 35**

1. In addition to a description, the year the program was initiated and the projected life of the program shall be included in the program description column.
2. On an attached sheet, define program "participant" and program conservation "unit" for each program. Also, provide the number of program participants and the number of units acquired or processed during this reporting year.



**IDENTIFICATION**

Year: **2004**

|   |   |
|---|---|
| 1. Legal Name of Respondent:  | Black Hills Power, Inc.                                   |
| 2. Name Under Which Respondent Does Business:   | Black Hills Power, Inc.                                   |
| 3. Date Utility Service First Offered in Montana  | 2/23/1968   |
| 4. Address to send Correspondence Concerning Report:  | Mark T. Thies<br>625 Ninth Street<br>Rapid City, SD 57701 |
| 5. Person Responsible for This Report:  | Mark T. Thies<br>Exec. V.P. & CFO                         |
| 5a. Telephone Number:   | 605-721-1700  |
| <b>Control Over Respondent</b>  |   |
| 1. If direct control over the respondent was held by another entity at the end of year provide the following: |   |
| 1a. Name and address of the controlling organization or person:   | Black Hills Corporation                                   |
| 1b. Means by which control was held:  | Common Stock  |
| 1c. Percent Ownership:  | 100%  |

SCHEDULE 2

| <b>Board of Directors</b> |   |                     |
|---------------------------|---|---------------------|
| Line No.                  | Name of Director and Address (City, State)<br>(a)         | Remuneration<br>(b) |
| 1                         | Bruce B. Brundage<br>Larkspur, CO                         | 56,500              |
| 2                         | Thomas J. Zeller<br>Rapid City, SD                        | 60,500              |
| 3                         | Jack W. Eugster (e)<br>Excelsior, MN                      | 25,000              |
| 4                         | John R. Howard<br>Rapid City, SD                          | 73,500              |
| 5                         | Everett E. Hoyt(a) (d)<br>Rapid City, SD                  |                     |
| 6                         | Kay S. Jorgensen<br>Spearfish, SD                         | 56,200              |
| 7                         | Daniel P. Landguth(a)<br>Rapid City, SD                   |                     |
| 8                         | David C. Ebertz<br>Gillette, WY                           | 52,000              |
| 9                         | David S. Maney(b)<br>Lakewood, CO                         | 7,500               |
| 10                        | Richard Korpan<br>Evergreen, CO                           | 52,500              |
| 11                        | David R. Emery(a) (c)<br>Rapid City, SD                   |                     |
| 12                        | Stephen D. Newlin(c)<br>Medina, MN                        | 36,000              |
| 13                        |   |                     |
| 14                        |   |                     |
| 15                        | (a) Officers of the Company -                             |                     |
| 16                        | Not compensated as Directors                              |                     |
| 17                        |   |                     |
| 18                        | (b) Resigned from the Board of Directors January 9, 2004. |                     |
| 19                        |   |                     |
| 20                        | (c) Elected to the Board of Directors January 9, 2004     |                     |
| 21                        |   |                     |
| 22                        | (d) Resigned from the Board of Directors May 26, 2004     |                     |
| 23                        |   |                     |
| 24                        | (e) Elected to the Board of Directors May 26, 2004        |                     |
| 25                        |   |                     |
| 26                        |   |                     |
| 27                        |   |                     |

# BLACK HILLS CORPORATION ORGANIZATIONAL CHART

March 23, 2005

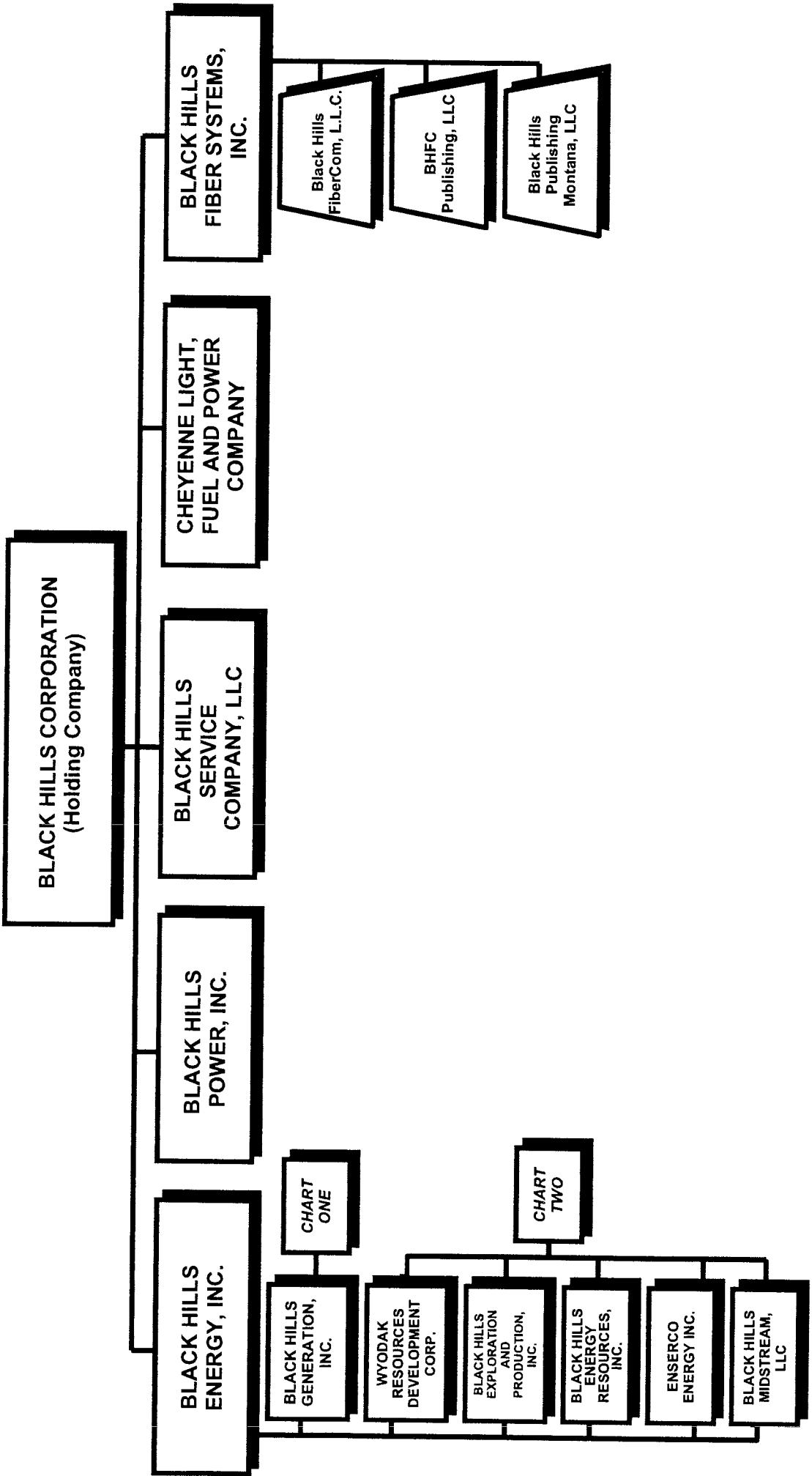
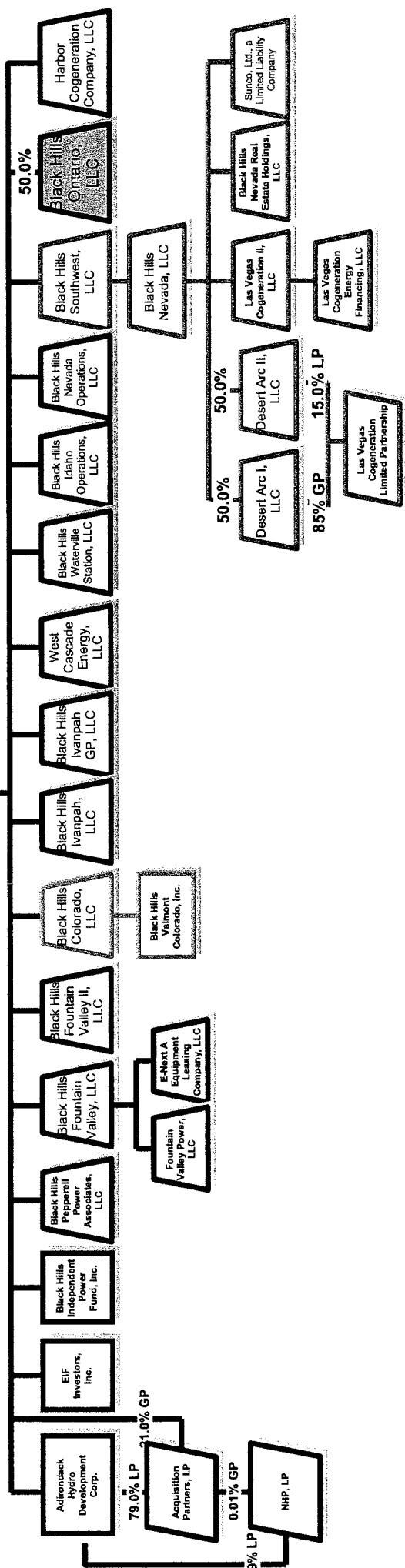


Chart One

March 3, 2005

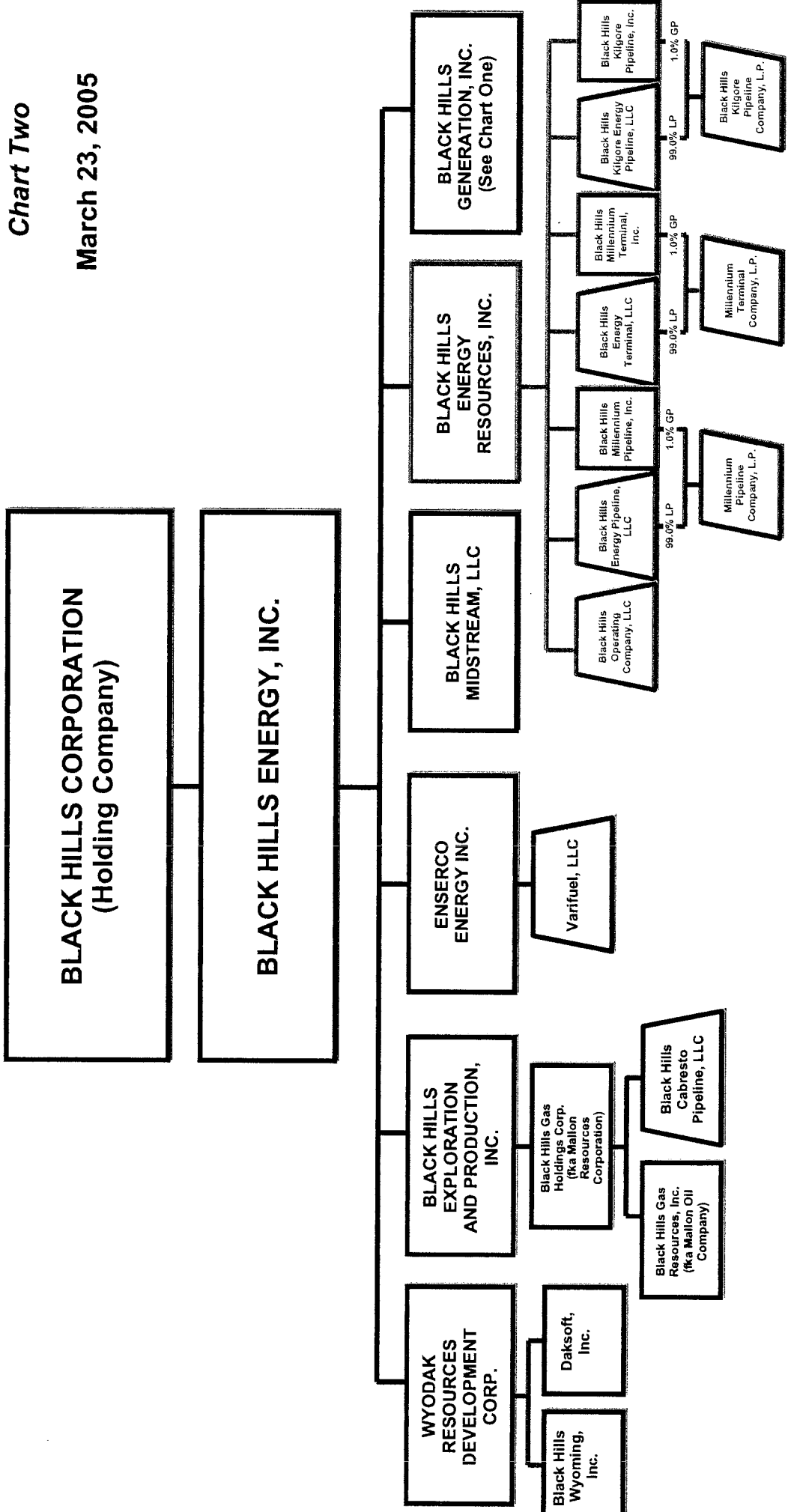
**BLACK HILLS ENERGY, INC.**

**BLACK HILLS GENERATION, INC.**



**Chart Two**

**March 23, 2005**



## Officers

Year: 2004

| Line No. | Title of Officer (a)                          | Department Supervised (b) | Name (c)            |
|----------|---|---------------------------|---------------------|
| 1        | Chairman of the Board                         |                           | Daniel P. Landguth  |
| 2        |   |                           |                     |
| 3        | Vice Chairman                                 |                           | Everett E. Hoyt     |
| 4        |   |                           |                     |
| 5        | Chief Executive Officer                       |                           | David R. Emery      |
| 6        |   |                           |                     |
| 7        | President and Chief Operating Officer         |                           | Linden R. Evans     |
| 8        |   |                           |                     |
| 9        | Executive Vice President, CFO,                |                           | Mark T. Thies       |
| 10       | Assistant Treasurer and Assistant Secretary   |                           |                     |
| 11       |   |                           |                     |
| 12       | Sr. Vice President - Corporate Administration |                           | James M. Mattern    |
| 13       | and Compliance                                |                           |                     |
| 14       |   |                           |                     |
| 15       | Sr. Vice President - General Counsel and      |                           | Steven J. Helmers   |
| 16       | Assistant Secretary                           |                           |                     |
| 17       |   |                           |                     |
| 18       | Sr. Vice President and Chief Risk Officer     |                           | Russell L. Cohen    |
| 19       |   |                           |                     |
| 20       | Vice President Governance and                 |                           | Roxann R. Basham    |
| 21       | Corporate Secretary                           |                           |                     |
| 22       |   |                           |                     |
| 23       | Vice President and Treasurer                  |                           | Garner Anderson     |
| 24       |   |                           |                     |
| 25       | Vice President - Corporate Affairs            |                           | Kyle D. White       |
| 26       |   |                           |                     |
| 27       | Vice President - Operations                   |                           | Stuart Wevik        |
| 28       |   |                           |                     |
| 29       | Sr. Vice President - Strategic Planning and   |                           | Maurice T. Klefeker |
| 30       | Development                                   |                           |                     |
| 31       |   |                           |                     |
| 32       | Vice President - Power Delivery               |                           | Mark L. Lux         |
| 33       |   |                           |                     |
| 34       | Vice President and Corporate Controller       |                           | David S. Smith      |
| 35       |   |                           |                     |
| 36       | Vice President and Corporate Controller       |                           | Perry Krush         |
| 37       |   |                           |                     |
| 38       |   |                           |                     |
| 39       |   |                           |                     |
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| 49       |   |                           |                     |
| 50       |   |                           |                     |

**CORPORATE STRUCTURE**

Year: 2004

|    | Subsidiary/Company Name | Line of Business | Earnings   | Percent of Total |
|----|-------------------------|------------------|------------|------------------|
| 1  | Black Hills Power, Inc. | Electric Utility | 19,208,760 | 100.00%          |
| 2  |                         |                  |            |                  |
| 3  |                         |                  |            |                  |
| 4  |                         |                  |            |                  |
| 5  |                         |                  |            |                  |
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| 47 |                         |                  |            |                  |
| 48 |                         |                  |            |                  |
| 49 |                         |                  |            |                  |
| 50 | <b>TOTAL</b>            |                  | 19,208,760 | 100.00%          |

**CORPORATE ALLOCATIONS**

Year: 2004

|    | Items Allocated                       | Classification | Allocation Method | \$ to MT Utility | MT % | \$ to Other |
|----|---------------------------------------|----------------|-------------------|------------------|------|-------------|
| 1  | Not Significant to Montana Operations |                |                   |                  |      |             |
| 2  |                                       |                |                   |                  |      |             |
| 3  |                                       |                |                   |                  |      |             |
| 4  |                                       |                |                   |                  |      |             |
| 5  |                                       |                |                   |                  |      |             |
| 6  |                                       |                |                   |                  |      |             |
| 7  |                                       |                |                   |                  |      |             |
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| 10 |                                       |                |                   |                  |      |             |
| 11 |                                       |                |                   |                  |      |             |
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| 31 |                                       |                |                   |                  |      |             |
| 32 |                                       |                |                   |                  |      |             |
| 33 |                                       |                |                   |                  |      |             |
| 34 | <b>TOTAL</b>                          |                |                   |                  |      |             |

**AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY** Year: 2004

| Line No. | (a)<br>Affiliate Name    | (b)<br>Products & Services | (c)<br>Method to Determine Price                              | (d)<br>Charges to Utility | (e)<br>% Total Affil. Revs. | (f)<br>Charges to MT Utility |
|----------|--------------------------|----------------------------|---|---------------------------|-----------------------------|------------------------------|
| 1        | Wyodak Resources         | Coal sales to Utility      | Fair Market Value (Based on similar arms-length transactions) | 9,572,977                 | 29.95%                      | 81,370                       |
| 2        | Development Corp.        |                            |   |                           |                             |                              |
| 3        |                          |                            |   |                           |                             |                              |
| 4        | Enserco Energy, Inc.     | Gas sales to Utility       | Fair Market Value (Based on similar arms-length transactions) | 562,814                   | 0.02%                       | 4,784                        |
| 5        |                          |                            |   |                           |                             |                              |
| 6        |                          |                            |   |                           |                             |                              |
| 7        | Black Hills FiberCom LLC | Telephone service          | Fair Market Value (Based on similar arms-length transactions) | 108,744                   | 0.30%                       | 688                          |
| 8        |                          |                            |   |                           |                             |                              |
| 9        |                          |                            |   |                           |                             |                              |
| 10       | Black Hills FiberCom LLC | Miscellaneous              | Fair Market Value (Based on similar arms-length transactions) | 128,621                   | 0.35%                       |                              |
| 11       |                          |                            |   |                           |                             |                              |
| 12       |                          |                            |   |                           |                             |                              |
| 13       |                          |                            |   |                           |                             |                              |
| 14       |                          |                            |   |                           |                             |                              |
| 15       |                          |                            |   |                           |                             |                              |
| 16       |                          |                            |   |                           |                             |                              |
| 17       |                          |                            |   |                           |                             |                              |
| 18       |                          |                            |   |                           |                             |                              |
| 19       |                          |                            |   |                           |                             |                              |
| 20       |                          |                            |   |                           |                             |                              |
| 21       |                          |                            |   |                           |                             |                              |
| 22       |                          |                            |   |                           |                             |                              |
| 23       |                          |                            |   |                           |                             |                              |
| 24       |                          |                            |   |                           |                             |                              |
| 25       |                          |                            |   |                           |                             |                              |
| 26       |                          |                            |   |                           |                             |                              |
| 27       |                          |                            |   |                           |                             |                              |
| 28       |                          |                            |   |                           |                             |                              |
| 29       |                          |                            |   |                           |                             |                              |
| 30       |                          |                            |   |                           |                             |                              |
| 31       |                          |                            |   |                           |                             |                              |
| 32       | <b>TOTAL</b>             |                            |   | 10,373,156                |                             | 86,842                       |



**AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY** Year: 2004

| Line No. | (a)<br>Affiliate Name | (b)<br>Products & Services | (c)<br>Method to Determine Price                              | (d)<br>Charges to Affiliate | (e)<br>% Total Affil. Exp. | (f)<br>Revenues to MT Utility |
|----------|-----------------------|----------------------------|---|-----------------------------|----------------------------|-------------------------------|
| 1        | Wyodak Resources      |                            |   |                             |                            |                               |
| 2        | Development corp.     | Electricity                | Wyoming Industrial Rate                                       | 720,770                     | 100.00%                    |                               |
| 3        |                       |                            |   |                             |                            |                               |
| 4        | FiberCom LLC          | Electricity                | South Dakota Commercial Rate                                  | 356,152                     | 100.00%                    |                               |
| 5        |                       |                            |   |                             |                            |                               |
| 6        | Black Hills Wyoming   | Transmission Service       | Point-to-Point  |                             |                            |                               |
| 7        |                       |                            | Open Access Transmission Tariff                               | 554,156                     | 100.00%                    |                               |
| 8        |                       |                            |   |                             |                            |                               |
| 9        | Black Hills Wyoming   | Non-firm energy sales      | Fair Market Value (Based on similar arms-length transactions) | 692,868                     | 100.00%                    |                               |
| 10       |                       |                            |   |                             |                            |                               |
| 11       |                       |                            |   |                             |                            |                               |
| 12       |                       |                            |   |                             |                            |                               |
| 13       |                       |                            |   |                             |                            |                               |
| 14       |                       |                            |   |                             |                            |                               |
| 15       |                       |                            |   |                             |                            |                               |
| 16       |                       |                            |   |                             |                            |                               |
| 17       |                       |                            |   |                             |                            |                               |
| 18       |                       |                            |   |                             |                            |                               |
| 19       |                       |                            |   |                             |                            |                               |
| 20       |                       |                            |   |                             |                            |                               |
| 21       |                       |                            |   |                             |                            |                               |
| 22       |                       |                            |   |                             |                            |                               |
| 23       |                       |                            |   |                             |                            |                               |
| 24       |                       |                            |   |                             |                            |                               |
| 25       |                       |                            |   |                             |                            |                               |
| 26       |                       |                            |   |                             |                            |                               |
| 27       |                       |                            |   |                             |                            |                               |
| 28       |                       |                            |   |                             |                            |                               |
| 29       |                       |                            |   |                             |                            |                               |
| 30       |                       |                            |   |                             |                            |                               |
| 31       |                       |                            |   |                             |                            |                               |
| 32       | <b>TOTAL</b>          |                            |   | 2,323,946                   |                            |                               |

## MONTANA UTILITY INCOME STATEMENT\*

Year: 2004

|    | Account Number & Title   | Last Year   | This Year   | % Change |
|----|--|-------------|-------------|----------|
| 1  | 400 Operating Revenues   | 171,018,600 | 173,744,544 | 1.59%    |
| 2  |  |             |             |          |
| 3  | Operating Expenses   |             |             |          |
| 4  | 401 Operation Expenses   | 84,733,264  | 94,395,337  | 11.40%   |
| 5  | 402 Maintenance Expense  | 8,024,770   | 8,773,623   | 9.33%    |
| 6  | 403 Depreciation Expense   | 18,847,762  | 18,721,971  | -0.67%   |
| 7  | 404-405 Amortization of Electric Plant                                       |             |             |          |
| 8  | 406 Amort. of Plant Acquisition Adjustments                                  | 151,404     | 151,404     |          |
| 9  | 407 Amort. of Property Losses, Unrecovered Plant<br>& Regulatory Study Costs |             |             |          |
| 11 | 408.1 Taxes Other Than Income Taxes  | 7,929,700   | 7,794,661   | -1.70%   |
| 12 | 409.1 Income Taxes - Federal   | 3,553,955   | 5,731,341   | 61.27%   |
| 13 | - Other  |             |             |          |
| 14 | 410.1 Provision for Deferred Income Taxes                                    | 9,139,885   | 5,188,756   | -43.23%  |
| 15 | 411.1 (Less) Provision for Def. Inc. Taxes - Cr.                             | (749,556)   | (1,128,557) | -50.56%  |
| 16 | 411.4 Investment Tax Credit Adjustments                                      | (318,304)   | (279,115)   | 12.31%   |
| 17 | 411.6 (Less) Gains from Disposition of Utility Plant                         |             |             |          |
| 18 | 411.7 Losses from Disposition of Utility Plant                               |             |             |          |
| 19 |  |             |             |          |
| 20 | <b>TOTAL Utility Operating Expenses</b>                                      | 131,312,880 | 139,349,421 | 6.12%    |
| 21 | <b>NET UTILITY OPERATING INCOME</b>  | 39,705,720  | 34,395,123  | -13.37%  |

## MONTANA REVENUES

SCHEDULE 9

|    | Account Number & Title                            | Last Year  | This Year  | % Change |
|----|---|------------|------------|----------|
| 1  | Sales of Electricity                              |            |            |          |
| 2  | 440 Residential                                   | 5,020.00   | 5,484.00   | 9.24%    |
| 3  | 442 Commercial & Industrial - Small               | 16,681.00  | 13,972.00  | -16.24%  |
| 4  | Commercial & Industrial - Large                   | 637,833.00 | 758,705.00 | 18.95%   |
| 5  | 444 Public Street & Highway Lighting              |            |            |          |
| 6  | 445 Other Sales to Public Authorities             |            |            |          |
| 7  | 446 Sales to Railroads & Railways                 |            |            |          |
| 8  | 448 Interdepartmental Sales                       |            |            |          |
| 9  |   |            |            |          |
| 10 | <b>TOTAL Sales to Ultimate Consumers</b>          | 659,534.00 | 778,161.00 | 17.99%   |
| 11 | 447 Sales for Resale                              |            |            |          |
| 12 |   |            |            |          |
| 13 | <b>TOTAL Sales of Electricity</b>                 | 659,534.00 | 778,161.00 | 17.99%   |
| 14 | 449.1 (Less) Provision for Rate Refunds           |            |            |          |
| 15 |   |            |            |          |
| 16 | <b>TOTAL Revenue Net of Provision for Refunds</b> | 659,534.00 | 778,161.00 | 17.99%   |
| 17 | Other Operating Revenues                          |            |            |          |
| 18 | 450 Forfeited Discounts & Late Payment Revenues   | 445.00     | 345.00     | -22.47%  |
| 19 | 451 Miscellaneous Service Revenues                |            |            |          |
| 20 | 453 Sales of Water & Water Power                  |            |            |          |
| 21 | 454 Rent From Electric Property                   |            |            |          |
| 22 | 455 Interdepartmental Rents                       |            |            |          |
| 23 | 456 Other Electric Revenues                       |            |            |          |
| 24 |   |            |            |          |
| 25 | <b>TOTAL Other Operating Revenues</b>             | 445.00     | 345.00     | -22.47%  |
| 26 | <b>Total Electric Operating Revenues</b>          | 659,979.00 | 778,506.00 | 17.96%   |

**Company Name: Black Hills Power, Inc.**

**SCHEDULE 8A**

**Notes to Financial Statements**

**Year: 2004**

See Attached

## **(1) BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Business Description**

Black Hills Power, Inc. (the Company) is an electric utility serving customers in South Dakota, Wyoming and Montana. The Company is a wholly owned subsidiary of the publicly traded Black Hills Corporation, a registered public utility holding company, (the Parent).

### **Basis of Accounting**

The financial statements have been prepared in accordance with the accounting requirements of the Uniform System of Accounts prescribed by the FERC. The principle differences from generally accepted accounting principles include the exclusion of current maturities of long term debt from current liabilities, the requirement to report deferred tax assets and liabilities separately, rather than as a single amount, the recording of asset removal costs as accumulated depreciation rather than as a liability and the exclusion of comparative statements of retained earnings and cash flows.

### **Regulatory Accounting**

The Company's regulated electric operations are subject to regulation by various state and federal agencies. The accounting policies followed are generally subject to the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC).

The Company's electric operations follow the provisions of the Financial Accounting Standards Board (FASB) of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71), and its financial statements reflect the effects of the different ratemaking principles followed by the various jurisdictions regulating its electric operations. As a result of the Company's 1995 rate case settlement, a 50-year depreciable life for Neil Simpson II is used for financial reporting purposes. If the Company were not following SFAS 71, a 35 to 40 year life would be more appropriate, which would increase depreciation expense by approximately \$0.6 - \$1.1 million per year. If rate recovery of generation-related costs becomes unlikely or uncertain, due to competition or regulatory action, these accounting standards may no longer apply to the Company's regulated generation operations. In the event the Company determines that it no longer meets the criteria for following SFAS 71, the accounting impact to the Company would be an extraordinary non-cash charge to operations of an amount that could be material. Criteria that give rise to the discontinuance of SFAS 71 include increasing competition that could restrict the Company's ability to establish prices to recover specific costs and a significant change in the manner in which rates are set by regulators from cost-based regulation to another form of regulation. The Company periodically reviews these criteria to ensure the continuing application of SFAS 71 is appropriate.

### **Utility Plant**

Utility plant is recorded at cost, which includes an allowance for funds used during construction (AFUDC) where applicable. The cost of utility plant retired, together with removal cost less salvage, is charged to accumulated depreciation. Repairs and maintenance of utility plant are charged to operations as incurred.

AFUDC represents the approximate composite cost of borrowed funds and a return on capital used to finance the construction expenditures and is capitalized as a component of electric

property. AFUDC was calculated at an annual composite rate of 9.8 percent during 2004 and 2003.

### **Depreciation**

Depreciation is computed on a straight-line method over the estimated useful lives of the related assets. Depreciation provisions were equivalent to annual composite rates of 3.0 percent in 2004 and 3.1 percent in 2003.

### **Impairment of Long-Lived Assets**

The Company periodically evaluates whether events and circumstances have occurred which may affect the estimated useful life or the recoverability of the remaining balance of its long-lived assets. If such events or circumstances were to indicate that the carrying amount of these assets was not recoverable, the Company would estimate the future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) was less than the carrying amount of the long-lived assets, the Company would recognize an impairment loss. No impairment loss was recorded during 2004 or 2003.

### **Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### **Materials, Supplies and Fuel**

Materials, supplies and fuel used for construction, operation and maintenance purposes are generally stated at cost on a weighted-average basis.

### **Deferred Financing Costs**

Deferred financing costs are amortized using the effective interest method over the term of the related debt.

### **Revenue Recognition**

Revenue is recognized when there is persuasive evidence of an arrangement with a fixed or determinable price, delivery has occurred or services have been rendered, and collectibility is reasonably assured.

### **Income Taxes**

The Company uses the liability method in accounting for income taxes. Under the liability method, deferred income taxes are recognized, at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial and tax basis of assets and liabilities. Such temporary differences are the result of provisions in the income tax law that either require or permit certain items to be reported on the income tax return in a different period than they are reported in the financial statements.

### **Fuel and Purchased Power Adjustment Tariffs**

The Company's Montana Retail Tariffs contain clauses that allow recovery of certain fuel and purchased power costs in excess of the level of such costs included in base rates. These cost

adjustment tariffs are revised periodically, as prescribed by the appropriate regulatory agencies, for any difference between the total amount collected under the clauses and the recoverable costs incurred. The adjustments are recognized as current assets or current liabilities until adjusted through future billings to customers. Sales to Montana account for less than 10 percent of the Company's total electric revenue.

The Company's South Dakota, Wyoming, Wholesale to Montana-Dakota Utilities Co., (a division of MDU Resources Group, Inc. (MDU)) and City of Gillette tariffs do not include an automatic fuel and purchased power adjustment tariff.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and to conform with accounting requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to allowance for uncollectible accounts receivable, long-lived asset values and useful lives, employee benefit plans and contingencies. Actual results could differ from those estimates.

### **Recently Adopted Accounting Pronouncements**

#### FSP 106-2

In May 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP 106-2), which provides guidance on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (2003 Medicare Act) for employers that sponsor postretirement healthcare plans that provide prescription drug benefits. If the Plan is deemed actuarially equivalent to the prescription drug benefit under the 2003 Medicare Act, the sponsor of the Plan could be eligible for a federal subsidy. FSP 106-2 supersedes FSP 106-1 that was issued in January 2004 under the same title. FSP 106-2 is effective for the first interim period beginning after June 15, 2004. The Company provides prescription drug benefits to certain eligible employees. The actuarial measurement of the accumulated postretirement benefit obligation and net periodic postretirement benefit cost does not include the effects of the 2003 Medicare Act as it is believed the Plan is not actuarially equivalent (see Note 7).

### **Supplemental Disclosure of Cash Flow Information**

Cash paid during the year 2004 for interest was \$17,351,000 and cash paid during the year 2004 for income taxes was \$5,753,000.

The Company distributed a stock dividend to Black Hills Corporation, its Parent Company, in the amount of \$46.5 million (See Note 11).

#### **(2) CAPITAL STOCK**

The Company is a wholly-owned subsidiary of Black Hills Corporation.

#### **(3) LONG-TERM DEBT**

Substantially all of the Company's property is subject to the lien of the indenture securing its first mortgage bonds. First mortgage bonds of the Company may be issued in amounts limited by property, earnings and other provisions of the mortgage indentures. Scheduled maturities are approximately \$2.0 million a year for the years 2005 through 2009.

#### (4) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of the Company's financial instruments.

##### Long-term Debt

The fair value of the Company's long-term debt is estimated based on quoted market rates for utility debt instruments having similar maturities and similar debt ratings. The Company's outstanding first mortgage bonds are either currently not callable or are subject to make-whole provisions which would eliminate any economic benefits for the Company to call and refinance the first mortgage bonds.

The estimated fair values of the Company's financial instruments at December 31, are as follows (in thousands):

|                | <u>2004</u>            |                   | <u>2003</u>            |                   |
|----------------|------------------------|-------------------|------------------------|-------------------|
|                | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
| Long-term debt | \$ 159,206             | \$ 190,273        | \$ 212,042             | \$ 238,331        |

#### (5) JOINTLY OWNED FACILITIES

The Company owns a 20 percent interest and PacifiCorp owns an 80 percent interest in the Wyodak Plant (Plant), a 362 megawatt coal-fired electric generating station located in Campbell County, Wyoming. PacifiCorp is the operator of the Plant.

The Company receives 20 percent of the Plant's capacity and is committed to pay 20 percent of its additions, replacements and operating and maintenance expenses. As of December 31, 2004, the Company's investment in the Plant included \$73.4 million in electric plant and \$34.5 million in accumulated depreciation, and is included in the corresponding captions in the accompanying Consolidated Balance Sheets. The Company's share of direct expenses of the Plant was \$6.0 million and \$5.8 million for the years ended December 31, 2004 and 2003, respectively, and is included in the corresponding categories of operating expenses in the accompanying Statements of Income.

The Company also owns a 35 percent interest and Basin Electric Power Cooperative owns a 65 percent interest in the Converter Station Site and South Rapid City Interconnection (the transmission tie), an AC-DC-AC transmission tie placed into service in the fourth quarter of 2003. The transmission tie provides an interconnection between the Western and Eastern transmission grids, which provides us with access to both the Western Electricity Coordinating Council (WECC) region and the Mid-Continent Area Power Pool, or "MAPP" region. The total transfer capacity of the tie is 400 megawatts – 200 megawatts West to East and 200 megawatts from East to West. The Company is committed to pay 35 percent of the additions, replacements and operating and maintenance expenses. For the twelve months ended December 31, 2004, the Company's share of direct expenses was \$0.1 million. As of December 31, 2004, the Company's investment in the transmission tie was \$19.7 million.

## **(6) COMMITMENTS AND CONTINGENCIES**

### **Power Purchase and Transmission Services Agreement - PacifiCorp**

In 1983, the Company entered into a 40 year power purchase agreement with PacifiCorp providing for the purchase by the Company of 75 megawatts of electric capacity and energy from PacifiCorp's system. An amended agreement signed in October 1997 reduces the contract capacity by 25 megawatts (5 megawatts per year starting in 2000). The price paid for the capacity and energy is based on the operating costs of one of PacifiCorp's coal-fired electric generating plants. Costs incurred under this agreement were \$10.0 million in 2004 and \$10.8 million in 2003.

In addition, the Company has a firm network transmission agreement for 36 MWs of capacity with PacifiCorp that expires on December 31, 2006. Annual costs are approximately \$0.9 million per year. The Company uses this agreement to serve the Sheridan, Wyoming electric service territory under the contract with Montana-Dakota Utilities Company.

The Company also has a firm point-to-point transmission service agreement with PacifiCorp that expires on December 31, 2023. The agreement provides that the following amounts of capacity and energy be transmitted: 32 megawatts in 2001, 27 megawatts in 2002, 22 megawatts in 2003, 17 megawatts in 2004-2006 and 50 megawatts in 2007-2023. Costs incurred under this agreement were \$0.4 million in 2004 and \$0.5 million in 2003.

### **Long-Term Power Sales Agreements**

- The Company has a ten-year power sales contract with the Municipal Energy Agency of Nebraska (MEAN) for 20 megawatts of contingent capacity from the Neil Simpson Unit #2 plant. The contract commenced in February 2003.
- The Company has a contract with Montana-Dakota Utilities Company, expiring January 1, 2007, for the sale of up to 55 megawatts of energy and capacity to service the Sheridan, Wyoming electric service territory. The Company also has a contract with the City of Gillette, Wyoming, expiring in 2012, to provide the city's first 23 megawatts of capacity and energy. Both contracts are integrated into our control area and are treated as firm native load.

### **Legal Proceedings**

#### **Forest Fire Claims**

In September 2001, a fire occurred in the southwestern Black Hills, now known as the "Hell Canyon Fire." It is alleged that the fire occurred when a high voltage electrical span maintained by the Company, broke, and electrical arcing from the severed line ignited dry grass. The fire burned approximately 10,000 acres of land owned by the Black Hills National Forest, the Oglala Sioux Tribe, and other private landowners. The State of South Dakota initiated litigation against the Company, in the Seventh Judicial Circuit Court, Fall River County, South Dakota, on or about January 31, 2003. The Complaint seeks recovery of damages for alleged fire suppression and rehabilitation costs. A claim for treble damages is asserted with respect to the claim for injury to timber. A substantially similar suit was filed against the Company by the United States Forest Service, on June 30, 2003, in the United States District Court for the District of South Dakota, Western Division. The State subsequently joined its claim in the federal action. The State claims damages in the amount of approximately \$0.8 million for fire suppression and rehabilitation costs. The United States Government's claim for fire suppression and related costs



has been submitted at approximately \$1.3 million. The Company continues to investigate the cause and origin of the fire, and the damage claims. A trial date has been set for early 2005. The Company has denied all claims and will vigorously defend this matter, the timing or outcome of which is uncertain.

On June 29, 2002, a forest fire began near Deadwood, South Dakota, now known as the "Grizzly Gulch Fire." Before being contained more than eight days later, the fire consumed over 10,000 acres of public and private land, mostly consisting of rugged forested areas. The fire destroyed approximately 7 homes, and 15 outbuildings. There were no reported personal injuries. In addition, the fire burned to the edge of the City of Deadwood, forcing the evacuation of the City of Deadwood, and the adjacent City of Lead, South Dakota. These communities are active in the tourist and gaming industries. Individuals were ordered to leave their homes, and businesses were closed for a short period of time. On July 16, 2002, the State of South Dakota announced the results of its investigation of the cause and origin of the fire. The State asserted that the fire was caused by tree encroachment into and contact with a transmission line owned and maintained by the Company.

On September 6, 2002, the State of South Dakota commenced litigation against the Company, in the Seventh Judicial Circuit Court, Pennington County, South Dakota. The Complaint seeks recovery of damages for alleged injury to timber, fire suppression and rehabilitation costs. A claim for treble damages was asserted with respect to the claim for injury to timber.

On March 3, 2003, the United States of America filed a similar suit against the Company, in the United States District Court, District of South Dakota, Western Division. The federal government's Complaint likewise seeks recovery of damages for alleged injury to timber, fire suppression and rehabilitation costs. A similar claim for treble damages is asserted with respect to the claim for injury to timber. In April 2003, the State of South Dakota intervened in the federal action. Accordingly, the state court litigation has been stayed, and all governmental claims will be tried in U.S. District Court.

The state and federal government claim approximately \$5.3 million for suppression costs, \$1.2 million for rehabilitation costs, and \$0.6 million for timber loss. Additional claims could be asserted for alleged loss of habitat and aesthetics or for assistance to private landowners.

The Company is completing its own investigation of the fire cause and origin. The Company's investigation is continuing, but based upon information currently available, the Company filed its Answer to the Complaints of both the State and the United States government, denying all claims, and asserting that the fire was caused by an independent intervening cause, or an act of God. The Company expects to vigorously defend all claims brought by governmental or private parties.

During the period of April 2003 through September 2004, various private civil actions were filed against the Company, asserting that the Grizzly Gulch Fire caused damage to the parties' real property. These actions were filed in the Fourth Judicial Circuit Court, Lawrence County, South Dakota. The Complaints seek recovery on the same theories asserted in the governmental Complaints, but most of the Complaints specify no amount for damage claims. The Company will vigorously defend these matters as well.

Additional claims could be made for individual and business losses relating to injury to personal and real property, and lost income.

Although we cannot predict the outcome or the viability of potential claims with respect to either fire, based on the information available, management believes that any such claims, if determined

adversely to the Company, will not have a material adverse effect on the Company's financial condition or results of operations.

### **PPM Energy, Inc. Demand for Arbitration**

On January 2, 2004, PPM Energy, Inc. delivered a Demand for Arbitration to the Company. The demand alleges claims for breach of contract and requests a declaration of the parties' rights and responsibilities under an Exchange Agreement executed on or about April 3, 2001. Specifically, PPM Energy asserts that the Exchange Agreement obligates the Company to accept receipt and cause corresponding delivery of electric energy, and to grant access to transmission rights allegedly covered by the Agreement. PPM Energy requests an award of damages in an amount not less than \$20.0 million. The Company filed its Response to Demand, including a counterclaim that seeks recovery of sums PPM has refused to pay pursuant to the Exchange Agreement. The Company denies all claims and will vigorously defend this matter, the timing and outcome of which is uncertain.

### **Ongoing Litigation**

The Company is subject to various other legal proceedings, claims and litigation which arise in the ordinary course of operations. In the opinion of management, the amount of liability, if any, with respect to these actions would not materially affect the financial position or results of operations of the Company.

## **(7) EMPLOYEE BENEFIT PLANS**

### **Defined Benefit Pension Plan**

The Company has a noncontributory defined benefit pension plan (Plan) covering the employees of the Company. The benefits are based on years of service and compensation levels during the highest five consecutive years of the last ten years of service. The Company's funding policy is in accordance with the federal government's funding requirements. The Plan's assets are held in trust and consist primarily of equity securities. The Company uses a September 30 measurement date for the Plan.

### Obligations and Funded Status

Change in benefit obligation:

2004

2003  
(in thousands)

|   |                  |                  |
|---|------------------|------------------|
| Projected benefit obligation at beginning of year | <u>\$ 44,803</u> | <u>\$ 38,141</u> |
| Service cost                                      | 959              | 714              |
| Interest cost                                     | 2,621            | 2,500            |
| Actuarial (gain) loss                             | (182)            | 1,110            |
| Discount rate change                              | —                | 4,239            |
| Benefits paid                                     | (2,025)          | (1,972)          |
| Taxable wage rate and cost of living rate change  | <u>—</u>         | <u>71</u>        |
| Net increase                                      | <u>1,373</u>     | <u>6,662</u>     |
| Projected benefit obligation at end of year       | <u>\$ 46,176</u> | <u>\$ 44,803</u> |

A reconciliation of the fair value of Plan assets (as of the September 30 measurement date) is as follows:

|                                       | <u>2004</u>      | <u>2003</u>      |
|---------------------------------------|------------------|------------------|
|                                       | (in thousands)   |                  |
| Beginning market value of plan assets | \$ 37,115        | \$ 25,830        |
| Benefits paid                         | (2,025)          | (1,972)          |
| Investment income                     | 4,754            | 6,406            |
| Employer contributions                | <u>—</u>         | <u>6,851</u>     |
| Ending market value of plan assets    | <u>\$ 39,844</u> | <u>\$ 37,115</u> |

Funding information for the Plan is as follows:

|                              | <u>2004</u>     | <u>2003</u>      |
|------------------------------|-----------------|------------------|
|                              | (in thousands)  |                  |
| Fair value of plan assets    | \$ 39,844       | \$ 37,115        |
| Projected benefit obligation | <u>(46,176)</u> | <u>(44,803)</u>  |
| Funded status                | (6,332)         | (7,688)          |
| Unrecognized:                |                 |                  |
| Net loss                     | 14,860          | 17,457           |
| Prior service cost           | <u>922</u>      | <u>1,088</u>     |
| Net amount recognized        | <u>\$ 9,450</u> | <u>\$ 10,857</u> |

Amounts recognized in statement of financial position consist of:

|                                | <u>2004</u>      | <u>2003</u>      |
|--------------------------------|------------------|------------------|
|                                | (in thousands)   |                  |
| Net pension asset              | <u>\$ 9,450</u>  | <u>\$ 10,857</u> |
| Accumulated benefit obligation | <u>\$ 38,302</u> | <u>\$ 36,577</u> |

The provisions of SFAS No. 87 "Employers' Accounting for Pensions" (SFAS 87) required the Company to record a net pension asset of \$9.5 million and \$10.9 million at December 31, 2004 and 2003, respectively and is included in the line item Other in Other assets on the accompanying Balance Sheets.

#### Components of Net Periodic Pension Expense

|                                    | <u>2004</u>     | <u>2003</u>     |
|------------------------------------|-----------------|-----------------|
| Service cost                       | \$ 959          | \$ 714          |
| Interest cost                      | 2,621           | 2,500           |
| Expected return on assets          | (3,420)         | (2,473)         |
| Amortization of prior service cost | 166             | 165             |
| Recognized net actuarial loss      | <u>1,080</u>    | <u>1,105</u>    |
| Net pension (income) expense       | <u>\$ 1,406</u> | <u>\$ 2,011</u> |

#### Additional Information

|  | <u>2004</u>    | <u>2003</u>     |
|--|----------------|-----------------|
|  | (in thousands) |                 |
| Pre-tax amount included in other comprehensive income (loss) arising from a change in the additional minimum pension liability | <u>\$ —</u>    | <u>\$11,061</u> |

#### Assumptions

| Weighted-average assumptions used to determine benefit obligations:                     | <u>2004</u> | <u>2003</u> |
|---|-------------|-------------|
| Discount rate   | 6.00%       | 6.00%       |
| Rate of increase in compensation levels   | 4.39%       | 5.00%       |
|   |             |             |
| Weighted-average assumptions used to determine net periodic benefit cost for plan year: | <u>2004</u> | <u>2003</u> |
| Discount rate   | 6.00%       | 6.75%       |
| Expected long-term rate of return on assets*  | 9.50%       | 10.00%      |
| Rate of increase in compensation levels   | 4.39%       | 5.00%       |

\* The expected rate of return on plan assets was changed from 9.5 percent in 2004 to 9.0 percent for the calculation of the 2005 net periodic pension cost. This change is expected to increase pension costs in 2005 by approximately \$0.2 million.

The Plan's expected long-term rate of return on assets assumption is based upon the weighted average expected long-term rate of returns for each individual asset class. The asset class weighting is determined using the target allocation for each asset class in the Plan portfolio. The expected long-term rate of return for each asset class is determined primarily from long-term historical returns for the asset class, with adjustments if it is anticipated that long-term future returns will not achieve historical results.

The expected long-term rate of return for equity investments was 10.0 percent and 10.5 percent for the 2004 and 2003 plan years, respectively. For determining the expected long-term rate of return for equity assets, the Company reviewed annual 20-, 30-, 40-, and 50-year returns on the S&P 500 Index, which were, at December 31, 2004, 13.2 percent, 13.7 percent, 10.4 percent and 10.9 percent respectively. Fund management fees were estimated to be 0.18 percent for S&P 500 Index assets and 0.45 percent for other assets. The expected long-term rate of return on fixed

income investments was 6.0 percent; the return was based upon historical returns on intermediate-term treasury bonds of 6.3 percent from 1950 to 2002. The expected long-term rate of return on cash investments was estimated to be 4.0 percent; expected cash returns were estimated to be 2.0 percent below long-term returns on intermediate-term treasury bonds.

### Plan Assets

Percentage of fair value of Plan assets at September 30:

|                 | <u>2004</u>   | <u>2003</u>               |
|-----------------|---------------|---------------------------|
| Domestic equity | 59.7%         | 44.8%                     |
| Foreign equity  | 34.5          | 26.6                      |
| Fixed income    | 2.6           | 3.8                       |
| Cash            | <u>3.2</u>    | <u>24.8<sup>(a)</sup></u> |
| Total           | <u>100.0%</u> | <u>100.0%</u>             |

(a) Allocation includes \$6.9 million cash contribution made to the plan on September 30, 2003.

The Plan's investment policy includes a target asset allocation as follows:

| <u>Asset Class</u> | <u>Target Allocation</u>   |
|--------------------|--|
| US Stocks          | 60% (with a variance of no more or less than 10% of target).           |
| Foreign Stocks     | 30% (with a variance of no more or less than 10% of target).           |
| Fixed Income       | 5% (with a variance of no more than 10% or no less than 5% of target). |
| Cash               | 5% (with a variance of no more than 10% or no less than 5% of target). |

The Plan's investment policy includes the investment objective that the achieved long-term rate of return meet or exceed the assumed actuarial rate. The policy strategy seeks to prudently invest in a diversified portfolio of predominately equity-based assets. The policy provides that the Plan will maintain a passive core US Stock portfolio based on the S&P 500 Index. Complementing this core will be investments in US and foreign equities through actively managed mutual funds.

The policy contains certain prohibitions on transactions in separately managed portfolios in which the Plan may invest, including prohibitions on short sales and the use of options or futures contracts. With regards to pooled funds, the policy requires the evaluation of the appropriateness of such funds for managing Plan assets if a fund engages in such transactions. The Plan has historically not invested in funds engaging in such transactions.

### Cash Flows

The Company does not anticipate any employer contributions to the Plan in 2005.

### Estimated Future Benefit Payments

The following benefit payments, which reflect future service, are expected to be paid (in thousands):

2005

\$ 2,165

|           |        |
|-----------|--------|
| 2006      | 2,164  |
| 2007      | 2,201  |
| 2008      | 2,278  |
| 2009      | 2,375  |
| 2010-2014 | 13,568 |

### Supplemental Nonqualified Defined Benefit Retirement Plans

The Company has various supplemental retirement plans for outside directors and key executives of the Company. The plans are nonqualified defined benefit plans. The Company uses a September 30 measurement date for the Plans.

#### Obligations and Funded Status

|   | <u>2004</u>       | <u>2003</u>       |
|---|-------------------|-------------------|
|   | (in thousands)    |                   |
| Change in benefit obligation:                     |                   |                   |
| Projected benefit obligation at beginning of year | \$ <u>1,886</u>   | \$ <u>1,676</u>   |
| Service cost                                      | —                 | 6                 |
| Interest cost                                     | 110               | 109               |
| Actuarial (gains) losses                          | (8)               | 197               |
| Benefits paid                                     | <u>(102)</u>      | <u>(102)</u>      |
| Net increase                                      | <u>—</u>          | <u>210</u>        |
| Projected benefit obligation at end of year       | \$ <u>1,886</u>   | \$ <u>1,886</u>   |
| Fair value of plan assets at end of year          | \$ —              | \$ —              |
| Funded status                                     | (1,886)           | (1,886)           |
| Unrecognized net loss                             | 762               | 824               |
| Unrecognized prior service cost                   | 3                 | 4                 |
| Contributions                                     | <u>36</u>         | <u>25</u>         |
| Net amount recognized                             | \$ <u>(1,085)</u> | \$ <u>(1,033)</u> |

|   | <u>2004</u>     | <u>2003</u>       |
|---|-----------------|-------------------|
|   | (in thousands)  |                   |
| Amounts recognized in statement of financial position consist of: |                 |                   |
| Net pension liability   | \$(1,650)       | \$(1,613)         |
| Intangible asset  | 3               | 4                 |
| Contributions   | 36              | 25                |
| Accumulated other comprehensive loss                              | <u>526</u>      | <u>551</u>        |
| Net amount recognized   | \$ <u>1,085</u> | \$ <u>(1,033)</u> |
| Accumulated benefit obligation                                    | \$ <u>1,650</u> | \$ <u>1,615</u>   |

The provisions of SFAS 87 required the Company to record an accrued pension liability of \$1.7 million and \$1.6 million at December 31, 2004 and 2003, and is included in Deferred credits and other liabilities, Other on the accompanying Balance Sheets.

#### Components of Net Periodic Benefit Cost

|             |             |
|-------------|-------------|
| <u>2004</u> | <u>2003</u> |
|-------------|-------------|

|                                    |               |               |
|------------------------------------|---------------|---------------|
| Service cost                       | \$ —          | \$ 6          |
| Interest cost                      | 110           | 109           |
| Amortization of prior service cost | 1             | (3)           |
| Recognized net actuarial loss      | <u>53</u>     | <u>42</u>     |
| Net periodic benefit cost          | <u>\$ 164</u> | <u>\$ 154</u> |

#### Additional Information

2004                      2003  
(in thousands)

|  |              |                 |
|--|--------------|-----------------|
| Pre-tax amount included in other comprehensive income (loss) arising from a change in the additional minimum pension liability | <u>\$ 25</u> | <u>\$ (169)</u> |
|--|--------------|-----------------|

#### Assumptions

| Weighted-average assumptions used to determine benefit obligations at September 30     | <u>2004</u> | <u>2003</u> |
|--|-------------|-------------|
| Discount rate  | 6.00%       | 6.00%       |
| Rate of increase in compensation levels  | 5.00%       | 5.00%       |
|  |             |             |
| Weighted-average assumptions used to determine net periodic benefit cost for plan year | <u>2004</u> | <u>2003</u> |
| Discount rate  | 6.00%       | 6.75%       |
| Rate of increase in compensation levels  | 5.00%       | 5.00%       |

#### Plan Assets

The plan has no assets. The Company funds on a cash basis as benefits are paid.

#### Estimated Cash Flows

The estimated employer contribution is expected to be \$0.1 million in 2005.

The following benefit payments, which reflect expected future service, are expected to be paid (in thousands):

Fiscal Year Ending

|           |       |
|-----------|-------|
| 2005      | \$ 90 |
| 2006      | 90    |
| 2007      | 90    |
| 2008      | 90    |
| 2009      | 90    |
| 2010-2014 | 451   |

**Non-pension Defined Benefit Postretirement Plan**

Employees who are participants in the Company's Postretirement Healthcare Plan and who retire from the Company on or after attaining age 55 after completing at least five years of service to the Company are entitled to postretirement healthcare benefits. These benefits are subject to premiums, deductibles, co-payment provisions and other limitations. The Company may amend or change the Plan periodically. The Company is not pre-funding its retiree medical plan. The Company uses a September 30 measurement date for the Plan.

These financial statements and this Note do not reflect the effects of the 2003 Medicare Act on the postretirement benefit plan.

Obligation and Funded Status

|  | <u>2004</u>       | <u>2003</u>       |
|--|-------------------|-------------------|
|  | (in thousands)    |                   |
| Change in benefit obligation:                                      |                   |                   |
| Accumulated postretirement benefit obligation at beginning of year | \$ 8,197          | \$ 6,547          |
| Service cost   | 300               | 198               |
| Interest cost  | 485               | 435               |
| Plan participants' contributions                                   | 339               | 319               |
| Benefits paid and actual expenses                                  | (516)             | (480)             |
| Actuarial (gains) losses   | (944)             | 1,178             |
| Net increase   | (336)             | 1,650             |
| Accumulated postretirement benefit obligation at end of year       | <u>\$ 7,861</u>   | <u>\$ 8,197</u>   |
| Fair value of plan assets at end of year                           | \$ —              | \$ —              |
| Funded status  | (7,861)           | (8,197)           |
| Unrecognized net loss  | 1,842             | 2,930             |
| Unrecognized prior service cost                                    | (227)             | (246)             |
| Unrecognized transition obligation                                 | 934               | 1,050             |
| Contributions  | 23                | 42                |
| Net amount recognized  | <u>\$ (5,289)</u> | <u>\$ (4,421)</u> |

Amounts recognized in statement of financial position consist of:

|                                  | <u>2004</u>       | <u>2003</u>       |
|----------------------------------|-------------------|-------------------|
|                                  | (in thousands)    |                   |
| Accrued postretirement liability | <u>\$ (5,289)</u> | <u>\$ (4,421)</u> |



## Components of Net Periodic Benefit Cost

|                                       | <u>2004</u>     | <u>2003</u>   |
|---------------------------------------|-----------------|---------------|
| Service cost                          | \$ 300          | \$ 198        |
| Interest cost                         | 486             | 435           |
| Amortization of transition obligation | 116             | 117           |
| Amortization of prior service cost    | (19)            | (19)          |
| Recognized net actuarial loss         | 144             | 78            |
| Net periodic benefit cost             | <u>\$ 1,027</u> | <u>\$ 809</u> |

## Assumptions

| Weighted-average assumptions used to determine benefit obligations at September 30     |             |             |
|--|-------------|-------------|
|  | <u>2004</u> | <u>2003</u> |
| Discount rate  | 6.00%       | 6.00%       |
| Weighted-average assumptions used to determine net periodic benefit cost for plan year |             |             |
|  | <u>2004</u> | <u>2003</u> |
| Discount rate  | 6.00%       | 6.75%       |

The healthcare trend rate assumption for the 2003 fiscal year disclosure and 2004 fiscal year expense and disclosure is 12 percent for fiscal 2004 grading down 1 percent per year until a 5 percent ultimate trend rate is reached in fiscal year 2011. The health care cost trend rate assumption for the 2003 fiscal year expense was 11 percent for fiscal 2003 grading down 1 percent per year until a 5 percent ultimate trend rate is reached in fiscal year 2009.

A 1 percent increase in the healthcare cost trend assumption would increase the service and interest cost \$0.2 million or 23 percent and the accumulated periodic postretirement benefit obligation \$1.5 million or 19 percent. A 1 percent decrease would reduce the service and interest cost by \$0.1 million or 17 percent and the accumulated periodic postretirement benefit obligation \$1.2 million or 15 percent.

## Plan Assets

The plan has no assets. The Company funds on a cash basis as benefits are paid.

## Estimated Cash Flows

The estimated employer contribution is expected to be \$0.2 million in 2005.

## Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, are expected to be paid (in thousands):

Fiscal Year Ending

|           |        |
|-----------|--------|
| 2005      | \$ 211 |
| 2006      | 236    |
| 2007      | 257    |
| 2008      | 273    |
| 2009      | 315    |
| 2010-2014 | 2,103  |

### Defined Contribution Plan

The Company also sponsors a 401(k) savings plan for eligible employees. Participants elect to invest up to 20 percent of their eligible compensation on a pre-tax basis. The Company provides a matching contribution of 100 percent of the employee's tax-deferred contribution up to a maximum 3 percent of the employee's eligible compensation. Matching contributions vest at 20 percent per year and are fully vested when the participant has 5 years of service with the Company. The Company's matching contributions totaled approximately \$0.4 million for 2004 and 2003.

### (8) INCOME TAXES

Income tax expense from continuing operations for the years ended December 31 was (in thousands):

|          | <u>2004</u>     | <u>2003</u>     |
|----------|-----------------|-----------------|
| Current  | \$ 5,731        | \$ 3,550        |
| Deferred | <u>3,781</u>    | <u>8,072</u>    |
|          | <u>\$ 9,512</u> | <u>\$11,622</u> |

The temporary differences which gave rise to the net deferred tax liability were as follows (in thousands):

| Years ended December 31,                                     | <u>2004</u>      | <u>2003</u>      |
|--|------------------|------------------|
| Deferred tax assets, current:                                |                  |                  |
| Valuation reserve  | \$ 319           | \$ 314           |
| Employee benefits  | 2,984            | 2,623            |
| Other  | <u>157</u>       | <u>624</u>       |
|  | <u>3,460</u>     | <u>3,561</u>     |
| Deferred tax liabilities, current:                           |                  |                  |
| Prepaid expenses   | 155              | —                |
| Employee benefits  | <u>3,307</u>     | <u>3,800</u>     |
|  | <u>3,462</u>     | <u>3,800</u>     |
| Net deferred tax liability, current                          | <u>\$ 2</u>      | <u>\$ 239</u>    |
| Deferred tax assets, non-current:                            |                  |                  |
| Regulatory asset   | \$ 1,025         | \$ 1,156         |
| ITC  | 362              | 460              |
| Items of other comprehensive income                          | 184              | 193              |
| Other  | <u>811</u>       | <u>1,402</u>     |
|  | <u>2,382</u>     | <u>3,211</u>     |
| Deferred tax liabilities, non-current:                       |                  |                  |
| Accelerated depreciation and other plant related differences | 66,275           | 63,615           |
| AFUDC  | 2,712            | 2,808            |
| Regulatory liability   | 1,460            | 1,512            |
| Items of other comprehensive income                          | 22               | —                |
| Other  | <u>1,146</u>     | <u>909</u>       |
|  | <u>71,615</u>    | <u>68,844</u>    |
| Net deferred tax liability, non-current                      | <u>\$ 69,233</u> | <u>\$ 65,633</u> |
| Net deferred tax liability                                   | <u>\$ 69,235</u> | <u>\$ 65,872</u> |

The following table reconciles the change in the net deferred income tax liability from December 31, 2003, to December 31, 2004, to deferred income tax expense (in thousands):

|   | <u>2004</u>     |
|---|-----------------|
| Increase in deferred income tax liability from the preceding table  | \$ 3,363        |
| Deferred taxes associated with ITC  | (508)           |
| Deferred taxes associated with other comprehensive loss   | (31)            |
| Deferred taxes associated with 2003 federal income tax return true-up,<br>primarily related to depreciation | <u>957</u>      |
| Deferred income tax expense for the period  | <u>\$ 3,781</u> |

The effective tax rate differs from the federal statutory rate for the years ended December 31, as follows:

|  | <u>2004</u>  | <u>2003</u>  |
|--|--------------|--------------|
| Federal statutory rate                                     | 35.0%        | 35.0%        |
| Amortization of excess deferred and investment tax credits | (1.5)        | (1.3)        |
| Research and development credit                            | —            | (0.1)        |
| Other  | <u>(0.4)</u> | <u>(1.1)</u> |
|  | <u>33.1%</u> | <u>32.5%</u> |

**(9) OTHER COMPREHENSIVE INCOME (LOSS)**

The following tables display the related tax effects allocated to each component of Other Comprehensive Income (Loss) for the years ended December 31, (in thousands):

|  | <u>2004</u>               |                        | <u>Net-of-tax<br/>Amount</u> |
|--|---------------------------|------------------------|------------------------------|
|  | <u>Pre-tax<br/>Amount</u> | <u>Tax<br/>Expense</u> |                              |
| Minimum pension liability adjustment   | \$ 25                     | \$ (9)                 | \$ 16                        |
| Amortization of cash flow hedges settled and deferred in<br>accumulated other comprehensive loss and reclassified into<br>interest expense | <u>64</u>                 | <u>(22)</u>            | <u>42</u>                    |
| Other comprehensive income   | <u>\$ 89</u>              | <u>\$ (31)</u>         | <u>\$ 58</u>                 |

|  | <u>2003</u>               |                    | <u>Net-of-tax<br/>Amount</u> |
|--|---------------------------|--------------------|------------------------------|
|  | <u>Pre-tax<br/>Amount</u> | <u>Tax Expense</u> |                              |
| Minimum pension liability adjustment   | \$ 10,892                 | \$(3,813)          | \$ 7,079                     |
| Net change in fair value of derivatives designated as cash<br>flow hedges associated with discontinued operations                          | 672                       | (269)              | 403                          |
| Amortization of cash flow hedges settled and deferred in<br>accumulated other comprehensive loss and reclassified into<br>interest expense | <u>64</u>                 | <u>(22)</u>        | <u>42</u>                    |
| Other comprehensive income   | <u>\$ 11,628</u>          | <u>\$(4,104)</u>   | <u>\$ 7,524</u>              |

## **(10) RELATED-PARTY TRANSACTIONS**

### Receivables and Payables

The Company has accounts receivable balances related to transactions with other Black Hills Corporation subsidiaries. The balances were \$0.9 million as of December 31, 2004 and 2003, respectively. The Company also has accounts payable balances related to transactions with other Black Hills Corporation subsidiaries. The balances were \$0.3 million and \$7.9 million as of December 31, 2004 and 2003, respectively.

The Company also has a line of credit with its Parent, Black Hills Corporation (the Parent), which is due on demand. Outstanding advances were \$25.1 million at December 31, 2004. Interest expense paid on the note was \$0.1 million for the year ended December 31, 2004. This note bears interest at 1.25 percent above the one-month average LIBOR rate (3.65 percent at December 31, 2004) and is payable monthly.

### Other Balance and Transactions

The Company purchases coal from Wyodak Resources Development Corp., an indirect subsidiary of the Parent. The amount purchased during the years ended December 31, 2004 and 2003 was \$9.6 million and \$10.3 million.

In addition to the above transactions, in order to fuel its combustion turbine, the Company purchased natural gas from Enserco Energy, an indirect subsidiary of the Parent. The amount purchased during the years ended December 31, 2004 and 2003 was approximately \$2.7 million and \$6.1 million. These amounts are included in "Fuel and purchased power" on the Consolidated Statements of Income.

The Company also received revenues of approximately \$1.0 million for the years ended December 31, 2004 and 2003, respectively, from Black Hills Wyoming, Inc., an indirect subsidiary of Black Hills Corporation, for the transmission of electricity.

**(11) NON-CASH DIVIDEND AND DISCONTINUED OPERATIONS**

During the quarter ended March 31, 2003, the Company distributed a non-cash dividend to its parent company, Black Hills Corporation (Parent). The dividend consisted of 10,000 common shares of Black Hills Generation, Inc., formerly known as Black Hills Energy Capital, Inc., (Generation), which represents 100 percent ownership of Generation. The Company therefore no longer operates in the independent power production business. As a result, the Company no longer has any subsidiaries and operates only in the electric utility business. The Company's investment in Generation at the time of the distribution was \$46.5 million.

**(12) SUBSEQUENT EVENTS**

The Company has entered into an agreement with Montana-Dakota Utilities Co., a division of MDU Resources Group, Inc., to provide wholesale power for the City of Sheridan, Wyoming. Under the agreement, the Company will provide all requirements up to 74 megawatts of power to Montana-Dakota from January 1, 2007 through January 1, 2017. Power requirements above 74 megawatts are negotiable under terms specified in the agreement. The contract is pending approval by the Wyoming Public Service Commission. An existing contract provides up to 55 megawatts and expires January 1, 2007.

**MONTANA OPERATION & MAINTENANCE EXPENSES\***

Year: 2004

| Account Number & Title |  | Last Year         | This Year         | % Change      |
|------------------------|--|-------------------|-------------------|---------------|
| 1                      | Power Production Expenses                      |                   |                   |               |
| 2                      |  |                   |                   |               |
| 3                      | Steam Power Generation                         |                   |                   |               |
| 4                      | Operation                                      |                   |                   |               |
| 5                      | 500 Operation Supervision & Engineering        | 1,074,077         | 1,002,044         | -6.71%        |
| 6                      | 501 Fuel                                       | 13,601,760        | 12,933,902        | -4.91%        |
| 7                      | 502 Steam Expenses                             | 2,680,711         | 2,741,998         | 2.29%         |
| 8                      | 503 Steam from Other Sources                   |                   |                   |               |
| 9                      | 504 (Less) Steam Transferred - Cr.             |                   |                   |               |
| 10                     | 505 Electric Expenses                          | 794,104           | 846,233           | 6.56%         |
| 11                     | 506 Miscellaneous Steam Power Expenses         | 1,127,836         | 1,247,851         | 10.64%        |
| 12                     | 507 Rents                                      |                   |                   |               |
| 13                     |  |                   |                   |               |
| 14                     | <b>TOTAL Operation - Steam</b>                 | <b>19,278,488</b> | <b>18,772,028</b> | <b>-2.63%</b> |
| 15                     |  |                   |                   |               |
| 16                     | Maintenance                                    |                   |                   |               |
| 17                     | 510 Maintenance Supervision & Engineering      | 198,873           | 283,067           | 42.34%        |
| 18                     | 511 Maintenance of Structures                  | 396,449           | 180,496           | -54.47%       |
| 19                     | 512 Maintenance of Boiler Plant                | 2,957,495         | 3,287,080         | 11.14%        |
| 20                     | 513 Maintenance of Electric Plant              | 876,036           | 1,755,761         | 100.42%       |
| 21                     | 514 Maintenance of Miscellaneous Steam Plant   | 546,764           | 576,246           | 5.39%         |
| 22                     |  |                   |                   |               |
| 23                     | <b>TOTAL Maintenance - Steam</b>               | <b>4,975,617</b>  | <b>6,082,650</b>  | <b>22.25%</b> |
| 24                     |  |                   |                   |               |
| 25                     | <b>TOTAL Steam Power Production Expenses</b>   | <b>24,254,105</b> | <b>24,854,678</b> | <b>2.48%</b>  |
| 26                     |  |                   |                   |               |
| 27                     | Nuclear Power Generation                       |                   |                   |               |
| 28                     | Operation                                      |                   |                   |               |
| 29                     | 517 Operation Supervision & Engineering        |                   |                   |               |
| 30                     | 518 Nuclear Fuel Expense                       |                   |                   |               |
| 31                     | 519 Coolants & Water                           |                   |                   |               |
| 32                     | 520 Steam Expenses                             |                   |                   |               |
| 33                     | 521 Steam from Other Sources                   |                   |                   |               |
| 34                     | 522 (Less) Steam Transferred - Cr.             |                   |                   |               |
| 35                     | 523 Electric Expenses                          |                   |                   |               |
| 36                     | 524 Miscellaneous Nuclear Power Expenses       |                   |                   |               |
| 37                     | 525 Rents                                      |                   |                   |               |
| 38                     |  |                   |                   |               |
| 39                     | <b>TOTAL Operation - Nuclear</b>               |                   | -                 |               |
| 40                     |  |                   |                   |               |
| 41                     | Maintenance                                    |                   |                   |               |
| 42                     | 528 Maintenance Supervision & Engineering      |                   |                   |               |
| 43                     | 529 Maintenance of Structures                  |                   |                   |               |
| 44                     | 530 Maintenance of Reactor Plant Equipment     |                   |                   |               |
| 45                     | 531 Maintenance of Electric Plant              |                   |                   |               |
| 46                     | 532 Maintenance of Miscellaneous Nuclear Plant |                   |                   |               |
| 47                     |  |                   |                   |               |
| 48                     | <b>TOTAL Maintenance - Nuclear</b>             |                   | -                 |               |
| 49                     |  |                   |                   |               |
| 50                     | <b>TOTAL Nuclear Power Production Expenses</b> |                   |                   |               |

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2004

| Account Number & Title |  | Last Year  | This Year  | % Change |
|------------------------|--|------------|------------|----------|
| 1                      | Power Production Expenses -continued             |            |            |          |
| 2                      | Hydraulic Power Generation                       |            |            |          |
| 3                      | Operation  |            |            |          |
| 4                      | 535 Operation Supervision & Engineering          |            |            |          |
| 5                      | 536 Water for Power                              |            |            |          |
| 6                      | 537 Hydraulic Expenses                           |            |            |          |
| 7                      | 538 Electric Expenses                            |            |            |          |
| 8                      | 539 Miscellaneous Hydraulic Power Gen. Expenses  |            |            |          |
| 9                      | 540 Rents  |            |            |          |
| 10                     |  |            |            |          |
| 11                     | TOTAL Operation - Hydraulic                      |            | -          |          |
| 12                     |  |            |            |          |
| 13                     | Maintenance                                      |            |            |          |
| 14                     | 541 Maintenance Supervision & Engineering        |            |            |          |
| 15                     | 542 Maintenance of Structures                    |            |            |          |
| 16                     | 543 Maint. of Reservoirs, Dams & Waterways       |            |            |          |
| 17                     | 544 Maintenance of Electric Plant                |            |            |          |
| 18                     | 545 Maintenance of Miscellaneous Hydro Plant     |            |            |          |
| 19                     |  |            |            |          |
| 20                     | TOTAL Maintenance - Hydraulic                    |            | -          |          |
| 21                     |  |            |            |          |
| 22                     | <b>TOTAL Hydraulic Power Production Expenses</b> |            | -          |          |
| 23                     |  |            |            |          |
| 24                     | Other Power Generation                           |            |            |          |
| 25                     | Operation  |            |            |          |
| 26                     | 546 Operation Supervision & Engineering          | 78,706     | 69,445     | -11.77%  |
| 27                     | 547 Fuel   | 7,361,231  | 2,214,762  | -69.91%  |
| 28                     | 548 Generation Expenses                          | 334,850    | 304,141    | -9.17%   |
| 29                     | 549 Miscellaneous Other Power Gen. Expenses      | 45,525     | 22,838     | -49.83%  |
| 30                     | 550 Rents  |            | 9,223      | #DIV/0!  |
| 31                     |  |            |            |          |
| 32                     | TOTAL Operation - Other                          | 7,820,312  | 2,620,409  | -66.49%  |
| 33                     |  |            |            |          |
| 34                     | Maintenance                                      |            |            |          |
| 35                     | 551 Maintenance Supervision & Engineering        | 49,496     | 96,556     | 95.08%   |
| 36                     | 552 Maintenance of Structures                    | 20,412     | 6,757      | -66.90%  |
| 37                     | 553 Maintenance of Generating & Electric Plant   | 868,315    | 844,714    | -2.72%   |
| 38                     | 554 Maintenance of Misc. Other Power Gen. Plant  | 10,260     | 9,136      | -10.96%  |
| 39                     |  |            |            |          |
| 40                     | TOTAL Maintenance - Other                        | 948,483    | 957,163    | 0.92%    |
| 41                     |  |            |            |          |
| 42                     | <b>TOTAL Other Power Production Expenses</b>     | 8,768,795  | 3,577,572  | -59.20%  |
| 43                     |  |            |            |          |
| 44                     | Other Power Supply Expenses                      |            |            |          |
| 45                     | 555 Purchased Power                              | 34,520,289 | 46,329,877 | 34.21%   |
| 46                     | 556 System Control & Load Dispatching            |            |            |          |
| 47                     | 557 Other Expenses                               |            |            |          |
| 48                     |  |            |            |          |
| 49                     | TOTAL Other Power Supply Expenses                | 34,520,289 | 46,329,877 | 34.21%   |
| 50                     |  |            |            |          |
| 51                     | <b>TOTAL Power Production Expenses</b>           | 67,543,189 | 74,762,127 | 10.69%   |



## MONTANA OPERATION &amp; MAINTENANCE EXPENSES

Year: 2004

| Account Number & Title |  | Last Year | This Year | % Change |
|------------------------|--|-----------|-----------|----------|
| 1                      | Transmission Expenses                              |           |           |          |
| 2                      | Operation  |           |           |          |
| 3                      | 560 Operation Supervision & Engineering            | 191,164   | 246,161   | 28.77%   |
| 4                      | 561 Load Dispatching                               | 707,498   | 677,982   | -4.17%   |
| 5                      | 562 Station Expenses                               | 109,121   | 84,284    | -22.76%  |
| 6                      | 563 Overhead Line Expenses                         | 25,236    | 49,442    | 95.92%   |
| 7                      | 564 Underground Line Expenses                      |           |           |          |
| 8                      | 565 Transmission of Electricity by Others          | 1,971,245 | 2,258,619 | 14.58%   |
| 9                      | 566 Miscellaneous Transmission Expenses            | 196,171   | 161,709   | -17.57%  |
| 10                     | 567 Rents  |           |           |          |
| 11                     |  |           |           |          |
| 12                     | TOTAL Operation - Transmission                     | 3,200,435 | 3,478,197 | 8.68%    |
| 13                     | Maintenance  |           |           |          |
| 14                     | 568 Maintenance Supervision & Engineering          | 37,345    | 42,197    | 12.99%   |
| 15                     | 569 Maintenance of Structures                      |           |           |          |
| 16                     | 570 Maintenance of Station Equipment               | 71,081    | 87,515    | 23.12%   |
| 17                     | 571 Maintenance of Overhead Lines                  | 207,311   | 224,898   | 8.48%    |
| 18                     | 572 Maintenance of Underground Lines               |           |           |          |
| 19                     | 573 Maintenance of Misc. Transmission Plant        |           |           |          |
| 20                     |  |           |           |          |
| 21                     | TOTAL Maintenance - Transmission                   | 315,737   | 354,610   | 12.31%   |
| 22                     |  |           |           |          |
| 23                     | TOTAL Transmission Expenses                        | 3,516,172 | 3,832,807 | 9.01%    |
| 24                     | Distribution Expenses                              |           |           |          |
| 25                     | Operation  |           |           |          |
| 26                     | 580 Operation Supervision & Engineering            | 545,718   | 544,632   | -0.20%   |
| 27                     | 581 Load Dispatching                               | 96,212    | 117,473   | 22.10%   |
| 28                     | 582 Station Expenses                               | 283,982   | 281,800   | -0.77%   |
| 29                     | 583 Overhead Line Expenses                         | 379,587   | 576,855   | 51.97%   |
| 30                     | 584 Underground Line Expenses                      | 203,236   | 212,075   | 4.35%    |
| 31                     | 585 Street Lighting & Signal System Expenses       | 956       | 3,802     | 297.70%  |
| 32                     | 586 Meter Expenses                                 | 500,598   | 454,789   | -9.15%   |
| 33                     | 587 Customer Installations Expenses                | 45,674    | 38,718    | -15.23%  |
| 34                     | 588 Miscellaneous Distribution Expenses            | 414,274   | 352,077   | -15.01%  |
| 35                     | 589 Rents  | 22,461    | 23,040    | 2.58%    |
| 36                     |  |           |           |          |
| 37                     |  |           |           |          |
| 38                     | TOTAL Operation - Distribution                     | 2,492,698 | 2,605,261 | 4.52%    |
| 39                     | Maintenance  |           |           |          |
| 40                     | 590 Maintenance Supervision & Engineering          | 21,387    | 22,733    | 6.29%    |
| 41                     | 591 Maintenance of Structures                      |           |           |          |
| 42                     | 592 Maintenance of Station Equipment               | 32,251    | 80,178    | 148.61%  |
| 43                     | 593 Maintenance of Overhead Lines                  | 1,199,937 | 763,814   | -36.35%  |
| 44                     | 594 Maintenance of Underground Lines               | 143,583   | 103,221   | -28.11%  |
| 45                     | 595 Maintenance of Line Transformers               | 14,458    | 10,637    | -26.43%  |
| 46                     | 596 Maintenance of Street Lighting, Signal Systems | 101,449   | 101,301   | -0.15%   |
| 47                     | 597 Maintenance of Meters                          | 49,400    | 48,058    | -2.72%   |
| 48                     | 598 Maintenance of Miscellaneous Dist. Plant       | 23,019    | 59,226    | 157.29%  |
| 49                     |  |           |           |          |
| 50                     | TOTAL Maintenance - Distribution                   | 1,585,484 | 1,189,168 | -25.00%  |
| 51                     |  |           |           |          |
| 52                     | TOTAL Distribution Expenses                        | 4,078,182 | 3,794,429 | -6.96%   |

## MONTANA OPERATION &amp; MAINTENANCE EXPENSES

Year: 2004

| Account Number & Title |  | Last Year  | This Year   | % Change |
|------------------------|--|------------|-------------|----------|
| 1                      | Customer Accounts Expenses                           |            |             |          |
| 2                      | Operation  |            |             |          |
| 3                      | 901 Supervision                                      | 94,722     | 32,181      | -66.03%  |
| 4                      | 902 Meter Reading Expenses                           | 826,649    | 407,334     | -50.72%  |
| 5                      | 903 Customer Records & Collection Expenses           | 1,682,667  | 909,031     | -45.98%  |
| 6                      | 904 Uncollectible Accounts Expenses                  | 427,090    | 189,263     | -55.69%  |
| 7                      | 905 Miscellaneous Customer Accounts Expenses         | 934,079    | 515,837     | -44.78%  |
| 8                      |  |            |             |          |
| 9                      | TOTAL Customer Accounts Expenses                     | 3,965,207  | 2,053,646   | -48.21%  |
| 10                     | Customer Service & Information Expenses              |            |             |          |
| 11                     | Operation  |            |             |          |
| 12                     | 907 Supervision                                      | 64,054     | 67,210      | 4.93%    |
| 13                     | 908 Customer Assistance Expenses                     | 804,563    | 779,870     | -3.07%   |
| 14                     | 909 Informational & Instructional Adv. Expenses      | 6,802      | 5,847       | -14.04%  |
| 15                     | 910 Miscellaneous Customer Service & Info. Exp.      | 43,237     | 76,826      | 77.69%   |
| 16                     |  |            |             |          |
| 17                     |  |            |             |          |
| 18                     | TOTAL Customer Service & Info Expenses               | 918,656    | 929,753     | 1.21%    |
| 19                     | Sales Expenses                                       |            |             |          |
| 20                     | Operation  |            |             |          |
| 21                     | 911 Supervision                                      |            |             |          |
| 22                     | 912 Demonstrating & Selling Expenses                 |            |             |          |
| 23                     | 913 Advertising Expenses                             |            |             |          |
| 24                     | 916 Miscellaneous Sales Expenses                     |            |             |          |
| 25                     |  |            |             |          |
| 26                     |  |            |             |          |
| 27                     | TOTAL Sales Expenses                                 |            | -           |          |
| 28                     | Administrative & General Expenses                    |            |             |          |
| 29                     | Operation  |            |             |          |
| 30                     | 920 Administrative & General Salaries                | 4,376,608  | 4,384,438   | 0.18%    |
| 31                     | 921 Office Supplies & Expenses                       | 315,616    | 2,581,089   | 717.79%  |
| 32                     | 922 (Less) Administrative Expenses Transferred - Cr. | (16,005)   | (57,051)    | -256.46% |
| 33                     | 923 Outside Services Employed                        | 2,982,675  | 5,034,383   | 68.79%   |
| 34                     | 924 Property Insurance                               | 1,002,680  | 850,133     | -15.21%  |
| 35                     | 925 Injuries & Damages                               | 639,134    | 1,281,703   | 100.54%  |
| 36                     | 926 Employee Pensions & Benefits                     | 2,396,761  | 2,806,960   | 17.11%   |
| 37                     | 927 Franchise Requirements                           |            |             |          |
| 38                     | 928 Regulatory Commission Expenses                   | 298,299    | 195,565     | -34.44%  |
| 39                     | 929 (Less) Duplicate Charges - Cr.                   |            |             |          |
| 40                     | 930.1 General Advertising Expenses                   | 177,765    | 121,741     | -31.52%  |
| 41                     | 930.2 Miscellaneous General Expenses                 | 186,191    | 195,111     | 4.79%    |
| 42                     | 931 Rents  | 177,455    | 212,094     | 19.52%   |
| 43                     |  |            |             |          |
| 44                     |  |            |             |          |
| 45                     | TOTAL Operation - Admin. & General                   | 12,537,179 | 17,606,166  | 40.43%   |
| 46                     | Maintenance  |            |             |          |
| 47                     | 935 Maintenance of General Plant                     | 199,449    | 190,033     | -4.72%   |
| 48                     |  |            |             |          |
| 49                     | TOTAL Administrative & General Expenses              | 12,736,628 | 17,796,199  | 39.72%   |
| 50                     |  |            |             |          |
| 51                     | TOTAL Operation & Maintenance Expenses               | 92,758,034 | 103,168,961 | 11.22%   |

**MONTANA TAXES OTHER THAN INCOME**

Year: 2004

|    | Description of Tax                      | Last Year | This Year | % Change |
|----|---|-----------|-----------|----------|
| 1  | Payroll Taxes                           |           |           |          |
| 2  | Superfund                               |           |           |          |
| 3  | Secretary of State                      |           |           |          |
| 4  | Montana Consumer Counsel                |           |           |          |
| 5  | Montana PSC                             | 827       | 1,274     | 54.05%   |
| 6  | Franchise Taxes                         |           |           |          |
| 7  | Property Taxes                          | 70,351    | 71,682    | 1.89%    |
| 8  | Tribal Taxes                            |           |           |          |
| 9  | Montana Wholesale Energy Tax            | 2,027     | 2,736     | 34.98%   |
| 10 |   |           |           |          |
| 11 |   |           |           |          |
| 12 |   |           |           |          |
| 13 |   |           |           |          |
| 14 |   |           |           |          |
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| 47 |   |           |           |          |
| 48 |   |           |           |          |
| 49 |   |           |           |          |
| 50 |   |           |           |          |
| 51 | <b>TOTAL MT Taxes Other Than Income</b> | 73,205    | 75,692    | 3.40%    |

**PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES**

Year: 2004

|    | Name of Recipient                      | Nature of Service | Total Company | Montana | % Montana |
|----|--|-------------------|---------------|---------|-----------|
| 1  | Amounts to Montana Are Not Significant |                   |               |         |           |
| 2  |  |                   |               |         |           |
| 3  |  |                   |               |         |           |
| 4  |  |                   |               |         |           |
| 5  |  |                   |               |         |           |
| 6  |  |                   |               |         |           |
| 7  |  |                   |               |         |           |
| 8  |  |                   |               |         |           |
| 9  |  |                   |               |         |           |
| 10 |  |                   |               |         |           |
| 11 |  |                   |               |         |           |
| 12 |  |                   |               |         |           |
| 13 |  |                   |               |         |           |
| 14 |  |                   |               |         |           |
| 15 |  |                   |               |         |           |
| 16 |  |                   |               |         |           |
| 17 |  |                   |               |         |           |
| 18 |  |                   |               |         |           |
| 19 |  |                   |               |         |           |
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| 23 |  |                   |               |         |           |
| 24 |  |                   |               |         |           |
| 25 |  |                   |               |         |           |
| 26 |  |                   |               |         |           |
| 27 |  |                   |               |         |           |
| 28 |  |                   |               |         |           |
| 29 |  |                   |               |         |           |
| 30 |  |                   |               |         |           |
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| 36 |  |                   |               |         |           |
| 37 |  |                   |               |         |           |
| 38 |  |                   |               |         |           |
| 39 |  |                   |               |         |           |
| 40 |  |                   |               |         |           |
| 41 |  |                   |               |         |           |
| 42 |  |                   |               |         |           |
| 43 |  |                   |               |         |           |
| 44 |  |                   |               |         |           |
| 45 |  |                   |               |         |           |
| 46 |  |                   |               |         |           |
| 47 |  |                   |               |         |           |
| 48 |  |                   |               |         |           |
| 49 |  |                   |               |         |           |
| 50 | <b>TOTAL Payments for Services</b>     |                   |               |         |           |

**POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS** Year: 2004

|    | Description                | Total Company | Montana | % Montana |
|----|----------------------------|---------------|---------|-----------|
| 1  | NONE                       |               |         |           |
| 2  |                            |               |         |           |
| 3  |                            |               |         |           |
| 4  |                            |               |         |           |
| 5  |                            |               |         |           |
| 6  |                            |               |         |           |
| 7  |                            |               |         |           |
| 8  |                            |               |         |           |
| 9  |                            |               |         |           |
| 10 |                            |               |         |           |
| 11 |                            |               |         |           |
| 12 |                            |               |         |           |
| 13 |                            |               |         |           |
| 14 |                            |               |         |           |
| 15 |                            |               |         |           |
| 16 |                            |               |         |           |
| 17 |                            |               |         |           |
| 18 |                            |               |         |           |
| 19 |                            |               |         |           |
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| 27 |                            |               |         |           |
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| 31 |                            |               |         |           |
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| 39 |                            |               |         |           |
| 40 |                            |               |         |           |
| 41 |                            |               |         |           |
| 42 |                            |               |         |           |
| 43 |                            |               |         |           |
| 44 |                            |               |         |           |
| 45 |                            |               |         |           |
| 46 |                            |               |         |           |
| 47 |                            |               |         |           |
| 48 |                            |               |         |           |
| 49 |                            |               |         |           |
| 50 | <b>TOTAL Contributions</b> |               |         |           |

## Pension Costs

Year: 2004

| 1  | Plan Name  |                                     |             |          |
|----|--|-------------------------------------|-------------|----------|
| 2  | Defined Benefit Plan? _____ Yes                    | Defined Contribution Plan? _____ No |             |          |
| 3  | Actuarial Cost Method? _Project Unit Cost Method   | IRS Code: _____                     | 401(b)      |          |
| 4  | Annual Contribution by Employer: _____ \$0         | Is the Plan Over Funded? _____      | No          |          |
| 5  |  |                                     |             |          |
|    | Item   | Current Year                        | Last Year   | % Change |
| 6  | <b>Change in Benefit Obligation</b>                |                                     |             |          |
| 7  | Benefit obligation at beginning of year            | 44,803,319                          | 38,140,491  | -14.87%  |
| 8  | Service cost                                       | 958,523                             | 713,597     | -25.55%  |
| 9  | Interest Cost                                      | 2,621,330                           | 2,500,415   | -4.61%   |
| 10 | Plan participants' contributions                   |                                     |             |          |
| 11 | Amendments   |                                     |             |          |
| 12 | Actuarial Gain                                     | (182,135)                           | 5,420,623   | 3076.16% |
| 13 | Acquisition  |                                     |             |          |
| 14 | Benefits paid                                      | (2,024,767)                         | (1,971,807) | 2.62%    |
| 15 | Benefit obligation at end of year                  | 46,176,270                          | 44,803,319  | -2.97%   |
| 16 | <b>Change in Plan Assets</b>                       |                                     |             |          |
| 17 | Fair value of plan assets at beginning of year     | 37,115,057                          | 25,829,604  | -30.41%  |
| 18 | Actual return on plan assets                       | 4,753,540                           | 6,406,472   | 34.77%   |
| 19 | Acquisition  |                                     |             |          |
| 20 | Employer contribution                              |                                     | 6,850,788   | #DIV/0!  |
| 21 | Plan participants' contributions                   |                                     | -           |          |
| 22 | Benefits paid                                      | (2,024,767)                         | (1,971,807) | 2.62%    |
| 23 | Fair value of plan assets at end of year           | 39,843,830                          | 37,115,057  | -6.85%   |
| 24 | <b>Funded Status</b>                               | (6,332,440)                         | (7,688,262) | -21.41%  |
| 25 | Unrecognized net actuarial loss                    | 14,859,973                          | 17,456,980  | 17.48%   |
| 26 | Unrecognized prior service cost                    | 922,428                             | 1,087,888   | 17.94%   |
| 27 | Prepaid (accrued) benefit cost                     | 9,449,961                           | 10,856,606  | 14.89%   |
| 28 |  |                                     |             |          |
| 29 | <b>Weighted-average Assumptions as of Year End</b> |                                     |             |          |
| 30 | Discount rate                                      | 6.00%                               | 6.75%       | 12.50%   |
| 31 | Expected return on plan assets                     | 9.50%                               | 10.00%      | 5.26%    |
| 32 | Rate of compensation increase                      | 5.00%                               | 5.00%       |          |
| 33 |  |                                     |             |          |
| 34 | <b>Components of Net Periodic Benefit Costs</b>    |                                     |             |          |
| 35 | Service cost                                       | 958,523                             | 713,597     | -25.55%  |
| 36 | Interest cost                                      | 2,621,330                           | 2,500,415   | -4.61%   |
| 37 | Expected return on plan assets                     | (3,420,054)                         | (2,473,229) | 27.68%   |
| 38 | Amortization of prior service cost                 | 165,460                             | 165,462     | 0.00%    |
| 39 | Recognized net actuarial loss                      | 1,081,386                           | 1,105,050   | 2.19%    |
| 40 | Net periodic benefit cost                          | 1,406,645                           | 2,011,295   | 42.99%   |
| 41 |  |                                     |             |          |
| 42 | <b>Montana Intrastate Costs:</b>                   |                                     |             |          |
| 43 | Pension Costs                                      |                                     |             |          |
| 44 | Pension Costs Capitalized                          |                                     |             |          |
| 45 | Accumulated Pension Asset (Liability) at Year End  |                                     |             |          |
| 46 | <b>Number of Company Employees:</b>                |                                     |             |          |
| 47 | Covered by the Plan                                | 836                                 | 811         | -2.99%   |
| 48 | Not Covered by the Plan                            | 33                                  | 31          | -6.06%   |
| 49 | Active   | 487                                 | 479         | -1.64%   |
| 50 | Retired  | 169                                 | 159         | -5.92%   |
| 51 | Deferred Vested Terminated                         | 147                                 | 142         | -3.40%   |

**Other Post Employment Benefits (OPEBS)**

|    | Item   | Current Year        | Last Year           | % Change |
|----|--|---------------------|---------------------|----------|
| 1  | <b>Regulatory Treatment:</b>   |                     |                     |          |
| 2  | Commission authorized - most recent  |                     |                     |          |
| 3  | Docket number: _____   |                     |                     |          |
| 4  | Order number: _____  |                     |                     |          |
| 5  | Amount recovered through rates   |                     |                     |          |
| 6  | <b>Weighted-average Assumptions as of Year End</b>                                   |                     |                     |          |
| 7  | Discount rate  | 6.00%               | 6.75%               | 12.50%   |
| 8  | Expected return on plan assets   |                     |                     |          |
| 9  | Medical Cost Inflation Rate  | 12.00%              | 12.00%              |          |
| 10 | Actuarial Cost Method  | Projected Unit Cost | Projected Unit Cost |          |
| 11 | Rate of compensation increase  | 5.00%               | 5.00%               |          |
| 12 | <b>List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:</b> |                     |                     |          |
| 13 |  |                     |                     |          |
| 14 |  |                     |                     |          |
| 15 | <b>Describe any Changes to the Benefit Plan:</b>                                     |                     |                     |          |
| 16 |  |                     |                     |          |
| 17 | <b>TOTAL COMPANY</b>   |                     |                     |          |
| 18 | <b>Change in Benefit Obligation</b>  |                     |                     |          |
| 19 | Benefit obligation at beginning of year  | 4,420,606           | 3,764,185           | (0)      |
| 20 | Service cost   | 299,742             | 198,323             | (0)      |
| 21 | Interest Cost  | 485,520             | 435,106             | (0)      |
| 22 | Plan participants' contributions   |                     |                     | -        |
| 23 | Amendments   |                     |                     | -        |
| 24 | Actuarial Gain   | 241,723             | 175,482             | (0)      |
| 25 | Acquisition  |                     |                     | -        |
| 26 | Benefits paid  | (157,982)           | (152,490)           | 0        |
| 27 | Benefit obligation at end of year  | 5,289,609           | 4,420,606           | (0)      |
| 28 | <b>Change in Plan Assets</b>   |                     |                     |          |
| 29 | Fair value of plan assets at beginning of year                                       | -                   | -                   | -        |
| 30 | Actual return on plan assets   |                     |                     | -        |
| 31 | Acquisition  |                     |                     | -        |
| 32 | Employer contribution  |                     |                     | -        |
| 33 | Plan participants' contributions   | -                   | -                   | -        |
| 34 | Benefits paid  | -                   | -                   | -        |
| 35 | Fair value of plan assets at end of year   | -                   | -                   | -        |
| 36 | <b>Funded Status</b>   | (5,289,609)         | (3,764,185)         | 0        |
| 37 | Unrecognized net actuarial loss  |                     |                     | -        |
| 38 | Unrecognized prior service cost  |                     |                     | -        |
| 39 | Prepaid (accrued) benefit cost   | (5,289,609)         | (3,764,185)         | 0        |
| 40 | <b>Components of Net Periodic Benefit Costs</b>                                      |                     |                     |          |
| 41 | Service cost   | 299,742             | 198,323             | (0)      |
| 42 | Interest cost  | 485,520             | 435,106             | (0)      |
| 43 | Expected return on plan assets   |                     |                     | -        |
| 44 | Amortization of prior service cost   |                     |                     | -        |
| 45 | Recognized net actuarial loss  | 241,723             | 175,482             | (0)      |
| 46 | Net periodic benefit cost  | 1,026,985           | 808,911             | (0)      |
| 47 | <b>Accumulated Post Retirement Benefit Obligation</b>                                |                     |                     |          |
| 48 | Amount Funded through VEBA   |                     |                     | -        |
| 49 | Amount Funded through 401(h)   |                     |                     | -        |
| 50 | Amount Funded through Other _____  |                     |                     | -        |
| 51 | <b>TOTAL</b>   | -                   | -                   | -        |
| 52 | Amount that was tax deductible - VEBA  |                     |                     | -        |
| 53 | Amount that was tax deductible - 401(h)  |                     |                     | -        |
| 54 | Amount that was tax deductible - Other _____   |                     |                     | -        |
| 55 | <b>TOTAL</b>   | -                   | -                   | -        |

**Other Post Employment Benefits (OPEBS) Continued**

Year: 2004

|    | Item  | Current Year | Last Year | % Change |
|----|---|--------------|-----------|----------|
| 1  | <b>Number of Company Employees:</b>                   |              |           |          |
| 2  | Covered by the Plan                                   | 689          | 683       | -1%      |
| 3  | Not Covered by the Plan                               |              |           |          |
| 4  | Active  | 480          | 472       | -2%      |
| 5  | Retired   | 113          | 116       | 3%       |
| 6  | Spouses/Dependants covered by the Plan                | 96           | 95        | -1%      |
| 7  | <b>Montana</b>  |              |           |          |
| 8  | <b>Change in Benefit Obligation</b>                   |              |           |          |
| 9  | Benefit obligation at beginning of year               | -            | -         | -        |
| 10 | Service cost  |              |           | -        |
| 11 | Interest Cost   |              |           | -        |
| 12 | Plan participants' contributions                      |              |           | -        |
| 13 | Amendments  |              |           | -        |
| 14 | Actuarial Gain  |              |           | -        |
| 15 | Acquisition   |              |           | -        |
| 16 | Benefits paid   |              |           | -        |
| 17 | Benefit obligation at end of year                     | -            | -         | -        |
| 18 | <b>Change in Plan Assets</b>                          |              |           |          |
| 19 | Fair value of plan assets at beginning of year        | -            | -         | -        |
| 20 | Actual return on plan assets                          |              |           | -        |
| 21 | Acquisition   |              |           | -        |
| 22 | Employer contribution                                 |              |           | -        |
| 23 | Plan participants' contributions                      | -            | -         | -        |
| 24 | Benefits paid   | -            | -         | -        |
| 25 | Fair value of plan assets at end of year              | -            | -         | -        |
| 26 | <b>Funded Status</b>                                  |              |           |          |
| 27 | Unrecognized net actuarial loss                       |              |           | -        |
| 28 | Unrecognized prior service cost                       |              |           | -        |
| 29 | Prepaid (accrued) benefit cost                        | -            | -         | -        |
| 30 | <b>Components of Net Periodic Benefit Costs</b>       |              |           |          |
| 31 | Service cost  | -            | -         | -        |
| 32 | Interest cost   | -            | -         | -        |
| 33 | Expected return on plan assets                        | -            | -         | -        |
| 34 | Amortization of prior service cost                    |              |           | -        |
| 35 | Recognized net actuarial loss                         |              |           | -        |
| 36 | Net periodic benefit cost                             | -            | -         | -        |
| 37 | <b>Accumulated Post Retirement Benefit Obligation</b> |              |           |          |
| 38 | Amount Funded through VEBA                            |              |           | -        |
| 39 | Amount Funded through 401(h)                          |              |           | -        |
| 40 | Amount Funded through other _____                     |              |           | -        |
| 41 | <b>TOTAL</b>  | -            | -         | -        |
| 42 | Amount that was tax deductible - VEBA                 |              |           | -        |
| 43 | Amount that was tax deductible - 401(h)               |              |           | -        |
| 44 | Amount that was tax deductible - Other                |              |           | -        |
| 45 | <b>TOTAL</b>  | -            | -         | -        |
| 46 | <b>Montana Intrastate Costs:</b>                      |              |           |          |
| 47 | Pension Costs   |              |           | -        |
| 48 | Pension Costs Capitalized                             |              |           | -        |
| 49 | Accumulated Pension Asset (Liability) at Year End     |              |           | -        |
| 50 | <b>Number of Montana Employees:</b>                   |              |           |          |
| 51 | Covered by the Plan                                   |              |           | -        |
| 52 | Not Covered by the Plan                               |              |           | -        |
| 53 | Active  |              |           | -        |
| 54 | Retired   |              |           | -        |
| 55 | Spouses/Dependants covered by the Plan                |              |           | -        |



**TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)**

| Line No. | Name/Title | Base Salary | Bonuses | Other | Total Compensation | Total Compensation Last Year | % Increase Total Compensation |
|----------|------------|-------------|---------|-------|--------------------|------------------------------|-------------------------------|
| 1        | N/A        |             |         |       |                    |                              |                               |
| 2        |            |             |         |       |                    |                              |                               |
| 3        |            |             |         |       |                    |                              |                               |
| 4        |            |             |         |       |                    |                              |                               |
| 5        |            |             |         |       |                    |                              |                               |
| 6        |            |             |         |       |                    |                              |                               |
| 7        |            |             |         |       |                    |                              |                               |
| 8        |            |             |         |       |                    |                              |                               |
| 9        |            |             |         |       |                    |                              |                               |
| 10       |            |             |         |       |                    |                              |                               |

## COMPENSATION OF TOP 5 CORPORATE EMPLOYEES - SEC INFORMATION

| Line No. | Name/Title  | Base Salary | Bonuses | Other     | Total Compensation | Total Compensation Last Year | % Increase Total Compensation |
|----------|---|-------------|---------|-----------|--------------------|------------------------------|-------------------------------|
| 1        | Daniel P. Landguth<br>Chairman of the Board   | 537,160     | 110,789 | 770,307   | 1,418,256          | 1,348,198                    | 5%                            |
| 2        | David R. Emery<br>Chief Executive Officer   | 392,485     | 88,363  | 173,790   | 654,638            | 399,577                      | 64%                           |
| 3        | Mark T. Thies<br>Executive Vice President<br>CFO, Assistant Treasurer,<br>and Assistant Secretary | 259,100     | 38,865  | 163,978   | 461,942            | 489,838                      | -6%                           |
| 4        | Steven J. Helmers<br>Senior Vice President,<br>General Counsel, and<br>Assistant Secretary        | 240,000     | 31,500  | 142,573   | 414,073            | 340,964                      | 21%                           |
| 5        | Russell L. Cohen<br>Senior Vice President<br>and Chief Risk Officer                               | 234,000     | 35,100  | 61,561    | 330,661            | 406,999                      | -19%                          |
| 6        | Everett E. Hoyt (a)<br>Vice Chairman  | 317,191     | 68,006  | 1,884,374 | 2,269,571          | 1,505,667                    | 51%                           |
|          | (a) Individual was no longer serving as an executive officer at December 31, 2004                 |             |         |           |                    |                              |                               |

## BALANCE SHEET

Year: 2004

|    | Account Number & Title                               | Last Year          | This Year          | % Change   |
|----|--|--------------------|--------------------|------------|
| 1  | <b>Assets and Other Debits</b>                       |                    |                    |            |
| 2  | Utility Plant  |                    | -                  |            |
| 3  | 101 Electric Plant in Service                        | 594,716,449        | 607,392,736        | 2%         |
| 4  | 101.1 Property Under Capital Leases                  |                    |                    |            |
| 5  | 102 Electric Plant Purchased or Sold                 |                    |                    |            |
| 6  | 104 Electric Plant Leased to Others                  |                    |                    |            |
| 7  | 105 Electric Plant Held for Future Use               |                    |                    |            |
| 8  | 106 Completed Constr. Not Classified - Electric      | 30,922,544         | 28,441,912         | -8%        |
| 9  | 107 Construction Work in Progress - Electric         | 3,059,757          | 4,065,626          | 33%        |
| 10 | 108 (Less) Accumulated Depreciation                  | (223,454,961)      | (240,472,137)      | -8%        |
| 11 | 111 (Less) Accumulated Amortization                  |                    |                    |            |
| 12 | 114 Electric Plant Acquisition Adjustments           | 4,870,308          | 4,870,308          |            |
| 13 | 115 (Less) Accum. Amort. Elec. Acq. Adj.             | (1,917,787)        | (2,069,191)        | -8%        |
| 14 | 120 Nuclear Fuel (Net)                               |                    |                    |            |
| 15 | <b>TOTAL Utility Plant</b>                           | <b>408,196,310</b> | <b>402,229,254</b> | <b>1%</b>  |
| 16 |  |                    |                    |            |
| 17 | <b>Other Property &amp; Investments</b>              |                    |                    |            |
| 18 | 121 Nonutility Property                              | 5,618              | 5,618              |            |
| 19 | 122 (Less) Accum. Depr. & Amort. for Nonutil. Prop.  | (3,956)            | (3,956)            |            |
| 20 | 123 Investments in Associated Companies              |                    |                    |            |
| 21 | 123.1 Investments in Subsidiary Companies            | -                  |                    |            |
| 22 | 124 Other Investments                                | 3,181,746          | 3,395,292          | 7%         |
| 23 | 125 Sinking Funds                                    |                    |                    |            |
| 24 | <b>TOTAL Other Property &amp; Investments</b>        | <b>3,183,408</b>   | <b>3,396,954</b>   | <b>-6%</b> |
| 25 |  |                    |                    |            |
| 26 | <b>Current &amp; Accrued Assets</b>                  |                    |                    |            |
| 27 | 131 Cash   | 1,048,254          | 3,410,024          | 225%       |
| 28 | 132-134 Special Deposits                             |                    |                    |            |
| 29 | 135 Working Funds                                    | 3,325              | 3,400              | 2%         |
| 30 | 136 Temporary Cash Investments                       |                    | 133,399            | #DIV/0!    |
| 31 | 141 Notes Receivable                                 |                    |                    |            |
| 32 | 142 Customer Accounts Receivable                     | 11,633,325         | 13,447,835         | 16%        |
| 33 | 143 Other Accounts Receivable                        | 1,292,948          | 1,264,005          | -2%        |
| 34 | 144 (Less) Accum. Provision for Uncollectible Accts. | (898,380)          | (911,537)          | -1%        |
| 35 | 145 Notes Receivable - Associated Companies          | 37,709,836         |                    | -100%      |
| 36 | 146 Accounts Receivable - Associated Companies       | 907,793            | 890,550            | -2%        |
| 37 | 151 Fuel Stock                                       | 1,580,687          | 2,210,658          | 40%        |
| 38 | 152 Fuel Stock Expenses Undistributed                |                    |                    |            |
| 39 | 153 Residuals  |                    |                    |            |
| 40 | 154 Plant Materials and Operating Supplies           | 7,984,775          | 9,302,453          | 17%        |
| 41 | 155 Merchandise                                      |                    |                    |            |
| 42 | 156 Other Material & Supplies                        | (39)               | (174)              | -346%      |
| 43 | 157 Nuclear Materials Held for Sale                  |                    |                    |            |
| 44 | 163 Stores Expense Undistributed                     | (5,216)            |                    | 100%       |
| 45 | 165 Prepayments                                      | 13,670,038         | 11,765,887         | -14%       |
| 46 | 171 Interest & Dividends Receivable                  |                    |                    |            |
| 47 | 172 Rents Receivable                                 |                    |                    |            |
| 48 | 173 Accrued Utility Revenues                         | 4,679,848          | 4,383,846          | -6%        |
| 49 | 174 Miscellaneous Current & Accrued Assets           |                    | 29,838             | -100%      |
| 50 | <b>TOTAL Current &amp; Accrued Assets</b>            | <b>79,607,194</b>  | <b>45,930,184</b>  | <b>73%</b> |

**BALANCE SHEET**

Year: 2004

| Account Number & Title |   | Last Year          | This Year          | % Change    |
|------------------------|---|--------------------|--------------------|-------------|
| 1                      |   |                    |                    |             |
| 2                      | <b>Assets and Other Debits (cont.)</b>              |                    |                    |             |
| 3                      |   |                    |                    |             |
| 4                      | <b>Deferred Debits</b>                              |                    |                    |             |
| 5                      |   |                    |                    |             |
| 6                      | 181 Unamortized Debt Expense                        | 2,092,634          | 1,567,729          | 33%         |
| 7                      | 182.1 Extraordinary Property Losses                 |                    |                    |             |
| 8                      | 182.2 Unrecovered Plant & Regulatory Study Costs    |                    |                    |             |
| 9                      | 183 Prelim. Survey & Investigation Charges          | 9                  | 333,936            | -100%       |
| 10                     | 184 Clearing Accounts                               | 304,716            | 312,330            | -2%         |
| 11                     | 185 Temporary Facilities                            |                    |                    |             |
| 12                     | 186 Miscellaneous Deferred Debits                   | 2,163,698          | 1,599,301          | 35%         |
| 13                     | 187 Deferred Losses from Disposition of Util. Plant |                    |                    |             |
| 14                     | 188 Research, Devel. & Demonstration Expend.        |                    |                    |             |
| 15                     | 189 Unamortized Loss on Reacquired Debt             | 246,861            | 3,064,215          | -92%        |
| 16                     | 190 Accumulated Deferred Income Taxes               | 10,478,780         | 10,015,830         | 5%          |
| 17                     | <b>TOTAL Deferred Debits</b>                        | <b>15,286,698</b>  | <b>16,893,341</b>  | <b>-10%</b> |
| 18                     |   |                    |                    |             |
| 19                     | <b>TOTAL Assets &amp; Other Debits</b>              | <b>506,273,610</b> | <b>468,449,733</b> | <b>8%</b>   |
|                        |   |                    |                    |             |
| Account Title          |   | Last Year          | This Year          | % Change    |
| 20                     |   |                    |                    |             |
| 21                     | <b>Liabilities and Other Credits</b>                |                    |                    |             |
| 22                     |   |                    |                    |             |
| 23                     | <b>Proprietary Capital</b>                          |                    |                    |             |
| 24                     |   |                    |                    |             |
| 25                     | 201 Common Stock Issued                             | 23,416,396         | 23,416,396         |             |
| 26                     | 202 Common Stock Subscribed                         |                    |                    |             |
| 27                     | 204 Preferred Stock Issued                          |                    |                    |             |
| 28                     | 205 Preferred Stock Subscribed                      |                    |                    |             |
| 29                     | 207 Premium on Capital Stock                        | 42,050,811         | 42,050,811         |             |
| 30                     | 211 Miscellaneous Paid-In Capital                   |                    |                    |             |
| 31                     | 213 (Less) Discount on Capital Stock                |                    |                    |             |
| 32                     | 214 (Less) Capital Stock Expense                    | (2,501,882)        | (2,501,882)        |             |
| 33                     | 215 Appropriated Retained Earnings                  |                    |                    |             |
| 34                     | 216 Unappropriated Retained Earnings                | 114,097,956        | 109,306,716        | 4%          |
| 35                     | 217 (Less) Reacquired Capital Stock                 |                    |                    |             |
| 36                     | 219 Accumulated Other Comprehensive Income          | (1,494,224)        | (1,435,853)        |             |
| 37                     | <b>TOTAL Proprietary Capital</b>                    | <b>175,569,057</b> | <b>170,836,188</b> | <b>3%</b>   |
| 38                     |   |                    |                    |             |
| 39                     | <b>Long Term Debt</b>                               |                    |                    |             |
| 40                     |   |                    |                    |             |
| 41                     | 221 Bonds   | 184,230,000        | 137,275,000        | -25%        |
| 42                     | 222 (Less) Reacquired Bonds                         |                    |                    |             |
| 43                     | 223 Advances from Associated Companies              |                    |                    |             |
| 44                     | 224 Other Long Term Debt                            | 27,811,728         | 21,930,648         | -21%        |
| 45                     | 225 Unamortized Premium on Long Term Debt           |                    |                    |             |
| 46                     | 226 (Less) Unamort. Discount on L-Term Debt-Dr.     |                    |                    |             |
| 47                     | <b>TOTAL Long Term Debt</b>                         | <b>212,041,728</b> | <b>159,205,648</b> | <b>33%</b>  |

## BALANCE SHEET

Year: 2004

|    | Account Number & Title                              | This Year   | This Year   | % Change |
|----|---|-------------|-------------|----------|
| 1  |   |             |             |          |
| 2  | <b>Total Liabilities and Other Credits (cont.)</b>  |             |             |          |
| 3  |   |             |             |          |
| 4  | <b>Other Noncurrent Liabilities</b>                 |             |             |          |
| 5  |   |             |             |          |
| 6  | 227 Obligations Under Cap. Leases - Noncurrent      |             |             |          |
| 7  | 228.1 Accumulated Provision for Property Insurance  |             |             |          |
| 8  | 228.2 Accumulated Provision for Injuries & Damages  |             |             |          |
| 9  | 228.3 Accumulated Provision for Pensions & Benefits |             |             |          |
| 10 | 228.4 Accumulated Misc. Operating Provisions        |             |             |          |
| 11 | 229 Accumulated Provision for Rate Refunds          |             |             |          |
| 12 | <b>TOTAL Other Noncurrent Liabilities</b>           |             |             | -        |
| 13 |   |             |             |          |
| 14 | <b>Current &amp; Accrued Liabilities</b>            |             |             |          |
| 15 |   |             |             |          |
| 16 | 231 Notes Payable                                   |             |             |          |
| 17 | 232 Accounts Payable                                | 6,441,811   | 7,102,073   | 10%      |
| 18 | 233 Notes Payable to Associated Companies           |             | 25,073,594  | #DIV/0!  |
| 19 | 234 Accounts Payable to Associated Companies        | 7,909,460   | 331,517     | -96%     |
| 20 | 235 Customer Deposits                               | 494,179     | 560,421     | 13%      |
| 21 | 236 Taxes Accrued                                   | 6,415,969   | 6,201,185   | -3%      |
| 22 | 237 Interest Accrued                                | 5,043,269   | 3,488,455   | -31%     |
| 23 | 238 Dividends Declared                              |             |             |          |
| 24 | 239 Matured Long Term Debt                          |             |             |          |
| 25 | 240 Matured Interest                                |             |             |          |
| 26 | 241 Tax Collections Payable                         | 487,615     | 458,849     | -6%      |
| 27 | 242 Miscellaneous Current & Accrued Liabilities     | 3,737,832   | 3,558,658   | -5%      |
| 28 | 243 Obligations Under Capital Leases - Current      |             |             |          |
| 29 | <b>TOTAL Current &amp; Accrued Liabilities</b>      | 30,530,135  | 46,774,752  | -35%     |
| 30 |   |             |             |          |
| 31 | <b>Deferred Credits</b>                             |             |             |          |
| 32 |   |             |             |          |
| 33 | 252 Customer Advances for Construction              | 2,046,869   | 2,237,737   | -9%      |
| 34 | 253 Other Deferred Credits                          | 12,742,428  | 13,282,677  | -4%      |
| 35 | 255 Accumulated Deferred Investment Tax Credits     | 1,313,259   | 1,034,144   | 27%      |
| 36 | 256 Deferred Gains from Disposition Of Util. Plant  |             |             |          |
| 37 | 257 Unamortized Gain on Reacquired Debt             |             |             |          |
| 38 | 281-283 Accumulated Deferred Income Taxes           | 72,030,134  | 75,078,587  | -4%      |
| 39 | <b>TOTAL Deferred Credits</b>                       | 88,132,690  | 91,633,145  | -4%      |
| 40 |   |             |             |          |
| 41 | <b>TOTAL LIABILITIES &amp; OTHER CREDITS</b>        | 506,273,610 | 468,449,733 | 8%       |

**MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)**

Year: 2004

|    | Account Number & Title                  | Last Year | This Year | % Change |
|----|---|-----------|-----------|----------|
| 1  |   |           |           |          |
| 2  | <b>Intangible Plant</b>                 |           |           |          |
| 3  |   |           |           |          |
| 4  | 301 Organization                        |           |           |          |
| 5  | 302 Franchises & Consents               |           |           |          |
| 6  | 303 Miscellaneous Intangible Plant      |           |           |          |
| 7  |   |           |           |          |
| 8  | <b>TOTAL Intangible Plant</b>           |           |           |          |
| 9  |   |           |           |          |
| 10 | <b>Production Plant</b>                 |           |           |          |
| 11 |   |           |           |          |
| 12 | Steam Production                        |           |           |          |
| 13 |   |           |           |          |
| 14 | 310 Land & Land Rights                  |           |           |          |
| 15 | 311 Structures & Improvements           |           |           |          |
| 16 | 312 Boiler Plant Equipment              |           |           |          |
| 17 | 313 Engines & Engine Driven Generators  |           |           |          |
| 18 | 314 Turbogenerator Units                |           |           |          |
| 19 | 315 Accessory Electric Equipment        |           |           |          |
| 20 | 316 Miscellaneous Power Plant Equipment |           |           |          |
| 21 |   |           |           |          |
| 22 | <b>TOTAL Steam Production Plant</b>     |           |           |          |
| 23 |   |           |           |          |
| 24 | Nuclear Production                      |           |           |          |
| 25 |   |           |           |          |
| 26 | 320 Land & Land Rights                  |           |           |          |
| 27 | 321 Structures & Improvements           |           |           |          |
| 28 | 322 Reactor Plant Equipment             |           |           |          |
| 29 | 323 Turbogenerator Units                |           |           |          |
| 30 | 324 Accessory Electric Equipment        |           |           |          |
| 31 | 325 Miscellaneous Power Plant Equipment |           |           |          |
| 32 |   |           |           |          |
| 33 | <b>TOTAL Nuclear Production Plant</b>   |           |           |          |
| 34 |   |           |           |          |
| 35 | Hydraulic Production                    |           |           |          |
| 36 |   |           |           |          |
| 37 | 330 Land & Land Rights                  |           |           |          |
| 38 | 331 Structures & Improvements           |           |           |          |
| 39 | 332 Reservoirs, Dams & Waterways        |           |           |          |
| 40 | 333 Water Wheels, Turbines & Generators |           |           |          |
| 41 | 334 Accessory Electric Equipment        |           |           |          |
| 42 | 335 Miscellaneous Power Plant Equipment |           |           |          |
| 43 | 336 Roads, Railroads & Bridges          |           |           |          |
| 44 |   |           |           |          |
| 45 | <b>TOTAL Hydraulic Production Plant</b> |           |           |          |

**MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)**

Year: 2004

|    | Account Number & Title                     | Last Year | This Year | % Change |
|----|--|-----------|-----------|----------|
| 1  |  |           |           |          |
| 2  | Production Plant (cont.)                   |           |           |          |
| 3  |  |           |           |          |
| 4  | Other Production                           |           |           |          |
| 5  |  |           |           |          |
| 6  | 340 Land & Land Rights                     |           |           |          |
| 7  | 341 Structures & Improvements              |           |           |          |
| 8  | 342 Fuel Holders, Producers & Accessories  |           |           |          |
| 9  | 343 Prime Movers                           |           |           |          |
| 10 | 344 Generators                             |           |           |          |
| 11 | 345 Accessory Electric Equipment           |           |           |          |
| 12 | 346 Miscellaneous Power Plant Equipment    |           |           |          |
| 13 |  |           |           |          |
| 14 | <b>TOTAL Other Production Plant</b>        |           |           |          |
| 15 |  |           |           |          |
| 16 | <b>TOTAL Production Plant</b>              |           |           |          |
| 17 |  |           |           |          |
| 18 | <b>Transmission Plant</b>                  |           |           |          |
| 19 |  |           |           |          |
| 20 | 350 Land & Land Rights                     | 20,312    |           | -100%    |
| 21 | 352 Structures & Improvements              |           |           |          |
| 22 | 353 Station Equipment                      |           |           |          |
| 23 | 354 Towers & Fixtures                      |           |           |          |
| 24 | 355 Poles & Fixtures                       | 246,300   |           | -100%    |
| 25 | 356 Overhead Conductors & Devices          | 300,275   |           | -100%    |
| 26 | 357 Underground Conduit                    |           |           |          |
| 27 | 358 Underground Conductors & Devices       |           |           |          |
| 28 | 359 Roads & Trails                         |           |           |          |
| 29 |  |           |           |          |
| 30 | <b>TOTAL Transmission Plant</b>            | 566,887   |           | #DIV/0!  |
| 31 |  |           |           |          |
| 32 | <b>Distribution Plant</b>                  |           |           |          |
| 33 |  |           |           |          |
| 34 | 360 Land & Land Rights                     | 5,992     | 26,304    | 339%     |
| 35 | 361 Structures & Improvements              | 5,970     | 5,970     |          |
| 36 | 362 Station Equipment                      | 434,705   | 441,924   | 2%       |
| 37 | 363 Storage Battery Equipment              |           |           |          |
| 38 | 364 Poles, Towers & Fixtures               | 120,717   | 367,017   | 204%     |
| 39 | 365 Overhead Conductors & Devices          | 109,732   | 410,007   | 274%     |
| 40 | 366 Underground Conduit                    | 909       | 909       |          |
| 41 | 367 Underground Conductors & Devices       | 15,834    | 15,834    |          |
| 42 | 368 Line Transformers                      | 42,704    | 42,704    |          |
| 43 | 369 Services                               | 3,367     | 3,367     |          |
| 44 | 370 Meters                                 | 6,278     | 6,278     |          |
| 45 | 371 Installations on Customers' Premises   |           |           |          |
| 46 | 372 Leased Property on Customers' Premises |           |           |          |
| 47 | 373 Street Lighting & Signal Systems       |           |           |          |
| 48 |  |           |           |          |
| 49 | <b>TOTAL Distribution Plant</b>            | 746,208   | 1,320,314 |          |

**MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)**

Year: 2004

|    | Account Number & Title                 | Last Year | This Year | % Change |
|----|--|-----------|-----------|----------|
| 1  |  |           |           |          |
| 2  | <b>General Plant</b>                   |           |           |          |
| 3  |  |           |           |          |
| 4  | 389 Land & Land Rights                 |           |           |          |
| 5  | 390 Structures & Improvements          |           |           |          |
| 6  | 391 Office Furniture & Equipment       |           |           |          |
| 7  | 392 Transportation Equipment           |           |           |          |
| 8  | 393 Stores Equipment                   |           |           |          |
| 9  | 394 Tools, Shop & Garage Equipment     |           |           |          |
| 10 | 395 Laboratory Equipment               |           |           |          |
| 11 | 396 Power Operated Equipment           |           |           |          |
| 12 | 397 Communication Equipment            | 14,732    | 14,732    |          |
| 13 | 398 Miscellaneous Equipment            |           |           |          |
| 14 | 399 Other Tangible Property            |           |           |          |
| 15 |  |           |           |          |
| 16 | <b>TOTAL General Plant</b>             | 14,732    | 14,732    |          |
| 17 |  |           |           |          |
| 18 | <b>TOTAL Electric Plant in Service</b> | 1,327,827 | 1,335,046 |          |



**MONTANA DEPRECIATION SUMMARY**

Year: 2004

|   | Functional Plant Classification | Plant Cost       | Accumulated Depreciation |                | Current Avg. Rate |
|---|---------------------------------|------------------|--------------------------|----------------|-------------------|
|   |                                 |                  | Last Year Bal.           | This Year Bal. |                   |
| 1 |                                 |                  |                          |                |                   |
| 2 | Steam Production                |                  |                          |                |                   |
| 3 | Nuclear Production              |                  |                          |                |                   |
| 4 | Hydraulic Production            |                  |                          |                |                   |
| 5 | Other Production                |                  |                          |                |                   |
| 6 | Transmission                    |                  | 150,436                  |                |                   |
| 7 | Distribution                    | 1,320,314        | 250,941                  | 360,344        | 2.78%             |
| 8 | General                         | 14,732           | 5,575                    | 6,086          | 7.18%             |
| 9 | <b>TOTAL</b>                    | <b>1,335,046</b> | <b>406,952</b>           | <b>366,430</b> | <b>9.96%</b>      |

**MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)**

SCHEDULE 21

|    | Account                                   | Last Year Bal. | This Year Bal. | %Change |
|----|---|----------------|----------------|---------|
| 1  |   |                |                |         |
| 2  | 151 Fuel Stock                            | N/A            |                | #VALUE! |
| 3  | 152 Fuel Stock Expenses Undistributed     |                |                | -       |
| 4  | 153 Residuals                             |                |                | -       |
| 5  | 154 Plant Materials & Operating Supplies: |                |                | -       |
| 6  | Assigned to Construction (Estimated)      |                |                | -       |
| 7  | Assigned to Operations & Maintenance      |                |                | -       |
| 8  | Production Plant (Estimated)              |                |                | -       |
| 9  | Transmission Plant (Estimated)            |                |                | -       |
| 10 | Distribution Plant (Estimated)            |                |                | -       |
| 11 | Assigned to Other                         |                |                | -       |
| 12 | 155 Merchandise                           |                |                | -       |
| 13 | 156 Other Materials & Supplies            |                |                | -       |
| 14 | 157 Nuclear Materials Held for Sale       |                |                | -       |
| 15 | 163 Stores Expense Undistributed          |                |                | -       |
| 16 |   |                |                |         |
| 17 | <b>TOTAL Materials &amp; Supplies</b>     | -              | -              | -       |

**MONTANA REGULATORY CAPITAL STRUCTURE & COSTS**

SCHEDULE 22

|    | Commission Accepted - Most Recent | % Cap. Str.    | % Cost Rate | Weighted Cost |
|----|-----------------------------------|----------------|-------------|---------------|
| 1  | Docket Number 83.4.25             |                |             |               |
| 2  | Order Number 4988                 |                |             |               |
| 3  |                                   |                |             |               |
| 4  | Common Equity                     | 52.83%         | 15.00%      | 7.92%         |
| 5  | Preferred Stock                   | 11.96%         | 9.03%       | 1.08%         |
| 6  | Long Term Debt                    | 35.21%         | 7.75%       | 2.73%         |
| 7  | Other                             |                |             |               |
| 8  | <b>TOTAL</b>                      | <b>100.00%</b> |             | <b>11.73%</b> |
| 9  |                                   |                |             |               |
| 10 | Actual at Year End                |                |             |               |
| 11 |                                   |                |             |               |
| 12 | Common Equity                     | 51.76%         |             | -             |
| 13 | Preferred Stock                   |                |             | -             |
| 14 | Long Term Debt                    | 48.24%         |             | -             |
| 15 | Other                             |                |             | -             |
| 16 | <b>TOTAL</b>                      | <b>100.00%</b> |             | <b>-</b>      |

## STATEMENT OF CASH FLOWS

Year: 2004

|    | Description  | Last Year           | This Year           | % Change     |
|----|--|---------------------|---------------------|--------------|
| 1  |  |                     |                     |              |
| 2  | Increase/(decrease) in Cash & Cash Equivalents:  |                     |                     |              |
| 3  |  |                     |                     |              |
| 4  | <b>Cash Flows from Operating Activities:</b>   |                     |                     |              |
| 5  | Net Income   | 25,994,983          | 19,208,760          | 35%          |
| 6  | Depreciation   | 18,847,762          | 18,721,971          | 1%           |
| 7  | Amortization   | 355,903             | 363,032             | -2%          |
| 8  | Deferred Income Taxes - Net  | 8,538,517           | 5,388,321           | 58%          |
| 9  | Investment Tax Credit Adjustments - Net  | (318,304)           | (279,115)           | -14%         |
| 10 | Change in Operating Receivables - Net  | 521,267             | (1,489,003)         | 135%         |
| 11 | Change in Materials, Supplies & Inventories - Net  | 181,780             | (1,952,729)         | 109%         |
| 12 | Change in Operating Payables & Accrued Liabilities - Net   | (2,283,377)         | (8,828,977)         | 74%          |
| 13 | Allowance for Funds Used During Construction (AFUDC)   | (44,249)            | (94,433)            | 53%          |
| 14 | Change in Other Assets & Liabilities - Net   | (5,446,732)         | 1,847,561           | -395%        |
| 15 | Other Operating Activities (explained on attached page)  | (1,905,700)         |                     | #DIV/0!      |
| 16 | <b>Net Cash Provided by/(Used in) Operating Activities</b>   | <b>44,441,850</b>   | <b>32,885,388</b>   | <b>35%</b>   |
| 17 |  |                     |                     |              |
| 18 | <b>Cash Inflows/Outflows From Investment Activities:</b>   |                     |                     |              |
| 19 | Construction/Acquisition of Property, Plant and Equipment<br>(net of AFUDC & Capital Lease Related Acquisitions) | (25,382,896)        | (13,684,203)        | -85%         |
| 20 |  |                     |                     |              |
| 21 | Acquisition of Other Noncurrent Assets   |                     |                     |              |
| 22 | Proceeds from Disposal of Noncurrent Assets  |                     |                     |              |
| 23 | Investments In and Advances to Affiliates  | 14,798,261          | 37,709,836          | -61%         |
| 24 | Contributions and Advances from Affiliates   |                     |                     |              |
| 25 | Disposition of Investments in and Advances to Affiliates   |                     |                     |              |
| 26 | Other Investing Activities (explained on attached page)  | (500,432)           | (213,546)           | -134%        |
| 27 | <b>Net Cash Provided by/(Used in) Investing Activities</b>   | <b>(11,085,067)</b> | <b>23,812,087</b>   | <b>-147%</b> |
| 28 |  |                     |                     |              |
| 29 | <b>Cash Flows from Financing Activities:</b>   |                     |                     |              |
| 30 | Proceeds from Issuance of:   |                     |                     |              |
| 31 | Long-Term Debt   |                     | 18,650,000          | -100%        |
| 32 | Preferred Stock  |                     |                     |              |
| 33 | Common Stock   |                     |                     |              |
| 34 | Other:   |                     |                     |              |
| 35 | Net Increase in Short-Term Debt  |                     |                     |              |
| 36 | Other:   |                     | 25,073,594          | -100%        |
| 37 | Payment for Retirement of:   |                     |                     |              |
| 38 | Long-Term Debt   | (3,095,360)         | (71,486,080)        | 96%          |
| 39 | Preferred Stock  |                     |                     |              |
| 40 | Common Stock   |                     |                     |              |
| 41 | Other:   |                     | (5,508,745)         | 100%         |
| 42 | Net Decrease in Short-Term Debt  |                     |                     |              |
| 43 | Dividends on Preferred Stock   |                     |                     |              |
| 44 | Dividends on Common Stock  | (29,727,692)        | (24,000,000)        | -24%         |
| 45 | Other Financing Activities (explained on attached page)  |                     |                     |              |
| 46 | <b>Net Cash Provided by (Used in) Financing Activities</b>   | <b>(32,823,052)</b> | <b>(57,271,231)</b> | <b>43%</b>   |
| 47 |  |                     |                     |              |
| 48 | <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>  | <b>533,731</b>      | <b>(573,756)</b>    | <b>193%</b>  |
| 49 | <b>Cash and Cash Equivalents at Beginning of Year</b>  | <b>517,848</b>      | <b>1,051,579</b>    | <b>-51%</b>  |
| 50 | <b>Cash and Cash Equivalents at End of Year</b>  | <b>1,051,579</b>    | <b>477,823</b>      | <b>120%</b>  |

Year: 2004

**LONG TERM DEBT**

|    | Description                  | Issue Date Mo./Yr. | Maturity Date Mo./Yr. | Principal Amount   | Net Proceeds       | Outstanding Per Balance Sheet | Yield to Maturity | Annual Net Cost Inc. Prem/Disc. | Total Cost % |
|----|------------------------------|--------------------|-----------------------|--------------------|--------------------|-------------------------------|-------------------|---------------------------------|--------------|
| 1  | Series                       |                    |                       |                    |                    |                               |                   |                                 |              |
| 2  |                              |                    |                       |                    |                    |                               |                   |                                 |              |
| 3  | Y                            | Jun-88             | Jun-18                | 6,000,000          | 5,906,578          | 3,970,000                     | 9.64%             | 392,168                         | 9.88%        |
| 4  | Z                            | May-91             | May-21                | 35,000,000         | 34,790,305         | 28,305,000                    | 9.41%             | 2,718,030                       | 9.60%        |
| 5  |                              |                    |                       |                    |                    |                               |                   |                                 |              |
| 6  | AB                           | Sep-94             | Sep-24                | 45,000,000         | 44,243,911         | -                             | 8.44%             | 3,029,721                       |              |
| 7  | AC                           | Feb-95             | Feb-10                | 30,000,000         | 29,766,300         | 30,000,000                    | 8.12%             | 2,418,000                       | 8.06%        |
| 8  | AE                           | Aug-02             | Aug-32                | 75,000,000         | 74,008,936         | 75,000,000                    | 7.23%             | 5,455,881                       | 7.27%        |
| 9  |                              |                    |                       |                    |                    |                               |                   |                                 |              |
| 10 |                              |                    |                       |                    |                    |                               |                   |                                 |              |
| 11 | 1992 Pollution Control       |                    |                       |                    |                    |                               |                   |                                 |              |
| 12 | Revenue Bonds:               |                    |                       |                    |                    |                               |                   |                                 |              |
| 13 | Lawrence County SD           | Jun-92             | Jun-10                | 5,850,000          | 5,753,590          | -                             | 6.81%             | 264,785                         |              |
| 14 | Pennington County SD         | Jun-92             | Jun-10                | 2,050,000          | 1,969,993          | -                             | 6.97%             | 135,640                         |              |
| 15 | Campbell County WY           | Jun-92             | Jun-10                | 1,550,000          | 1,473,355          | -                             | 7.05%             | 102,651                         |              |
| 16 | Weston County WY             | Jun-92             | Jun-10                | 2,850,000          | 2,770,414          | -                             | 6.89%             | 185,729                         |              |
| 17 |                              |                    |                       |                    |                    |                               |                   |                                 |              |
| 18 | 2004 Pollution Control       |                    |                       |                    |                    |                               |                   |                                 |              |
| 19 | Revenue Bonds:               |                    |                       |                    |                    |                               |                   |                                 |              |
| 20 | Campbell County WY           | Nov-04             | Oct-14                | 1,550,000          | 1,517,018          | 1,550,000                     | 4.80%             | 7,593                           | 0.49%        |
| 21 | Campbell County WY           | Nov-04             | Oct-14                | 12,200,000         | 11,964,016         | 12,200,000                    | 5.35%             | 66,613                          | 0.55%        |
| 22 | Pennington County SD         | Nov-04             | Oct-14                | 2,050,000          | 1,999,347          | 2,050,000                     | 4.80%             | 10,042                          | 0.49%        |
| 23 | Weston County WY             | Nov-04             | Oct-14                | 2,850,000          | 2,791,873          | 2,850,000                     | 4.80%             | 13,962                          | 0.49%        |
| 24 |                              |                    |                       |                    |                    |                               |                   |                                 |              |
| 25 | 1994A Environ Improv B.      | Jun-94             | Jun-24                | 3,000,000          | 2,930,057          | 2,855,000                     | 4.35%             | 87,855                          | 3.08%        |
| 26 |                              |                    |                       |                    |                    |                               |                   |                                 |              |
| 27 | 1994 Gillette Refund Bond    | Jul-94             | Jun-24                | 12,200,000         | 11,888,427         | -                             | 7.70%             | 879,000                         |              |
| 28 |                              |                    |                       |                    |                    |                               |                   |                                 |              |
| 29 | Bear Paw Energy Note Payable | Jun-00             | May-12                | 1,078,000          | 1,078,000          | 425,648                       | 13.70%            | 60,659                          | 14.25%       |
| 30 |                              |                    |                       |                    |                    |                               |                   |                                 |              |
| 31 |                              |                    |                       |                    |                    |                               |                   |                                 |              |
| 32 | <b>TOTAL</b>                 |                    |                       | <b>238,228,000</b> | <b>234,852,120</b> | <b>159,205,648</b>            |                   | <b>15,828,329</b>               | <b>9.94%</b> |

**PREFERRED STOCK**

Year: 2004

|    | Series       | Issue Date Mo./Yr. | Shares Issued | Par Value | Call Price | Net Proceeds | Cost of Money | Principal Outstanding | Annual Cost | Embed. Cost % |
|----|--------------|--------------------|---------------|-----------|------------|--------------|---------------|-----------------------|-------------|---------------|
| 1  | NONE         |                    |               |           |            |              |               |                       |             |               |
| 2  |              |                    |               |           |            |              |               |                       |             |               |
| 3  |              |                    |               |           |            |              |               |                       |             |               |
| 4  |              |                    |               |           |            |              |               |                       |             |               |
| 5  |              |                    |               |           |            |              |               |                       |             |               |
| 6  |              |                    |               |           |            |              |               |                       |             |               |
| 7  |              |                    |               |           |            |              |               |                       |             |               |
| 8  |              |                    |               |           |            |              |               |                       |             |               |
| 9  |              |                    |               |           |            |              |               |                       |             |               |
| 10 |              |                    |               |           |            |              |               |                       |             |               |
| 11 |              |                    |               |           |            |              |               |                       |             |               |
| 12 |              |                    |               |           |            |              |               |                       |             |               |
| 13 |              |                    |               |           |            |              |               |                       |             |               |
| 14 |              |                    |               |           |            |              |               |                       |             |               |
| 15 |              |                    |               |           |            |              |               |                       |             |               |
| 16 |              |                    |               |           |            |              |               |                       |             |               |
| 17 |              |                    |               |           |            |              |               |                       |             |               |
| 18 |              |                    |               |           |            |              |               |                       |             |               |
| 19 |              |                    |               |           |            |              |               |                       |             |               |
| 20 |              |                    |               |           |            |              |               |                       |             |               |
| 21 |              |                    |               |           |            |              |               |                       |             |               |
| 22 |              |                    |               |           |            |              |               |                       |             |               |
| 23 |              |                    |               |           |            |              |               |                       |             |               |
| 24 |              |                    |               |           |            |              |               |                       |             |               |
| 25 |              |                    |               |           |            |              |               |                       |             |               |
| 26 |              |                    |               |           |            |              |               |                       |             |               |
| 27 |              |                    |               |           |            |              |               |                       |             |               |
| 28 |              |                    |               |           |            |              |               |                       |             |               |
| 29 |              |                    |               |           |            |              |               |                       |             |               |
| 30 |              |                    |               |           |            |              |               |                       |             |               |
| 31 |              |                    |               |           |            |              |               |                       |             |               |
| 32 | <b>TOTAL</b> |                    |               |           |            |              |               |                       |             |               |

**COMMON STOCK**

Year: 2004

|    | Avg. Number of Shares Outstanding      | Book Value Per Share | Earnings Per Share | Dividends Per Share | Retention Ratio | Market Price High | Market Price Low | Price/Earnings Ratio |
|----|--|----------------------|--------------------|---------------------|-----------------|-------------------|------------------|----------------------|
| 1  | 100% of common stock privately held by |                      |                    |                     |                 |                   |                  |                      |
| 2  | the Parent Company                     |                      |                    |                     |                 |                   |                  |                      |
| 3  | Black Hills Corp.                      |                      |                    |                     |                 |                   |                  |                      |
| 4  | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 5  |  |                      |                    |                     |                 |                   |                  |                      |
| 6  | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 7  |  |                      |                    |                     |                 |                   |                  |                      |
| 8  | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 9  |  |                      |                    |                     |                 |                   |                  |                      |
| 10 | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 11 |  |                      |                    |                     |                 |                   |                  |                      |
| 12 | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 13 |  |                      |                    |                     |                 |                   |                  |                      |
| 14 | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 15 |  |                      |                    |                     |                 |                   |                  |                      |
| 16 | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 17 |  |                      |                    |                     |                 |                   |                  |                      |
| 18 | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 19 |  |                      |                    |                     |                 |                   |                  |                      |
| 20 | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 21 |  |                      |                    |                     |                 |                   |                  |                      |
| 22 | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 23 |  |                      |                    |                     |                 |                   |                  |                      |
| 24 | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 25 |  |                      |                    |                     |                 |                   |                  |                      |
| 26 | 23,416,396                             |                      |                    |                     |                 |                   |                  |                      |
| 27 |  |                      |                    |                     |                 |                   |                  |                      |
| 28 |  |                      |                    |                     |                 |                   |                  |                      |
| 29 |  |                      |                    |                     |                 |                   |                  |                      |
| 30 |  |                      |                    |                     |                 |                   |                  |                      |
| 31 |  |                      |                    |                     |                 |                   |                  |                      |
| 32 | <b>TOTAL Year End</b>                  |                      |                    |                     |                 |                   |                  |                      |

**MONTANA EARNED RATE OF RETURN**

Year: 2004

|    | Description   | Last Year | This Year | % Change |
|----|---|-----------|-----------|----------|
| 1  | Rate Base   |           |           |          |
| 2  | 101 Plant in Service                                |           |           |          |
| 3  | 108 (Less) Accumulated Depreciation                 |           |           |          |
| 4  | <b>NET Plant in Service</b>                         |           |           |          |
| 5  |   |           |           |          |
| 6  | Additions   |           |           |          |
| 7  | 154, 156 Materials & Supplies                       |           |           |          |
| 8  | 165 Prepayments                                     |           |           |          |
| 9  | Other Additions                                     |           |           |          |
| 10 | <b>TOTAL Additions</b>                              |           |           |          |
| 11 |   |           |           |          |
| 12 | Deductions  |           |           |          |
| 13 | 190 Accumulated Deferred Income Taxes               |           |           |          |
| 14 | 252 Customer Advances for Construction              |           |           |          |
| 15 | 255 Accumulated Def. Investment Tax Credits         |           |           |          |
| 16 | Other Deductions                                    |           |           |          |
| 17 | <b>TOTAL Deductions</b>                             |           |           |          |
| 18 | <b>TOTAL Rate Base</b>                              |           |           |          |
| 19 |   |           |           |          |
| 20 | <b>Net Earnings</b>                                 |           |           |          |
| 21 |   |           |           |          |
| 22 | <b>Rate of Return on Average Rate Base</b>          |           |           |          |
| 23 |   |           |           |          |
| 24 | <b>Rate of Return on Average Equity</b>             |           |           |          |
| 25 |   |           |           |          |
| 26 | Major Normalizing Adjustments & Commission          |           |           |          |
| 27 | Ratemaking adjustments to Utility Operations        |           |           |          |
| 28 |   |           |           |          |
| 29 | NOTE: This schedule is not completed because        |           |           |          |
| 30 | Montana revenues represent less than 1%             |           |           |          |
| 31 | of the Company's revenues.                          |           |           |          |
| 32 |   |           |           |          |
| 33 |   |           |           |          |
| 34 |   |           |           |          |
| 35 |   |           |           |          |
| 36 |   |           |           |          |
| 37 |   |           |           |          |
| 38 |   |           |           |          |
| 39 |   |           |           |          |
| 40 |   |           |           |          |
| 41 |   |           |           |          |
| 42 |   |           |           |          |
| 43 |   |           |           |          |
| 44 |   |           |           |          |
| 45 |   |           |           |          |
| 46 |   |           |           |          |
| 47 | <b>Adjusted Rate of Return on Average Rate Base</b> |           |           |          |
| 48 |   |           |           |          |
| 49 | <b>Adjusted Rate of Return on Average Equity</b>    |           |           |          |

**MONTANA COMPOSITE STATISTICS**

Year: 2004

|    | Description   | Amount     |
|----|---|------------|
| 1  |   |            |
| 2  | Plant (Intrastate Only) (000 Omitted)   |            |
| 3  |   |            |
| 4  | 101 Plant in Service  | 1,335      |
| 5  | 107 Construction Work in Progress   |            |
| 6  | 114 Plant Acquisition Adjustments   |            |
| 7  | 105 Plant Held for Future Use   |            |
| 8  | 154, 156 Materials & Supplies   |            |
| 9  | (Less):   |            |
| 10 | 108, 111 Depreciation & Amortization Reserves                                       | (366)      |
| 11 | 252 Contributions in Aid of Construction  |            |
| 12 |   |            |
| 13 | <b>NET BOOK COSTS</b>   | <b>969</b> |
| 14 |   |            |
| 15 | Revenues & Expenses (000 Omitted)   |            |
| 16 |   |            |
| 17 | 400 Operating Revenues  | 779        |
| 18 |   |            |
| 19 | 403 - 407 Depreciation & Amortization Expenses                                      |            |
| 20 | Federal & State Income Taxes  |            |
| 21 | Other Taxes   |            |
| 22 | Other Operating Expenses  |            |
| 23 | TOTAL Operating Expenses  |            |
| 24 |   |            |
| 25 | Net Operating Income  | 779        |
| 26 |   |            |
| 27 | 415-421.1 Other Income  |            |
| 28 | 421.2-426.5 Other Deductions  |            |
| 29 |   |            |
| 30 | <b>NET INCOME</b>   | <b>779</b> |
| 31 |   |            |
| 32 | Customers (Intrastate Only)   |            |
| 33 |   |            |
| 34 | Year End Average:   |            |
| 35 | Residential   | 13         |
| 36 | Commercial  | 19         |
| 37 | Industrial  | 2          |
| 38 | Other   |            |
| 39 |   |            |
| 40 | <b>TOTAL NUMBER OF CUSTOMERS</b>  | <b>34</b>  |
| 41 |   |            |
| 42 | Other Statistics (Intrastate Only)  |            |
| 43 |   |            |
| 44 | Average Annual Residential Use (Kwh)  | 6,052      |
| 45 | Average Annual Residential Cost per (Kwh) (Cents) *                                 | 7.55       |
| 46 | * Avg annual cost = [(cost per Kwh x annual use) + ( mo. svc chrg x 12)]/annual use |            |
| 47 | Average Residential Monthly Bill  | 35         |
| 48 | Gross Plant per Customer  | 39,266     |

MONTANA CUSTOMER INFORMATION

Year: 2004

|    | City/Town                        | Population<br>(Include Rural) | Residential<br>Customers | Commercial<br>Customers | Industrial<br>& Other<br>Customers | Total<br>Customers |
|----|----------------------------------|-------------------------------|--------------------------|-------------------------|------------------------------------|--------------------|
| 1  | Carter and Powder River Counties |                               |                          |                         |                                    |                    |
| 2  |                                  |                               |                          |                         |                                    |                    |
| 3  |                                  |                               |                          |                         |                                    |                    |
| 4  |                                  |                               |                          |                         |                                    |                    |
| 5  |                                  |                               |                          |                         |                                    |                    |
| 6  |                                  |                               |                          |                         |                                    |                    |
| 7  |                                  |                               |                          |                         |                                    |                    |
| 8  |                                  |                               |                          |                         |                                    |                    |
| 9  |                                  |                               |                          |                         |                                    |                    |
| 10 |                                  |                               |                          |                         |                                    |                    |
| 11 |                                  |                               |                          |                         |                                    |                    |
| 12 |                                  |                               |                          |                         |                                    |                    |
| 13 |                                  |                               |                          |                         |                                    |                    |
| 14 |                                  |                               |                          |                         |                                    |                    |
| 15 |                                  |                               |                          |                         |                                    |                    |
| 16 |                                  |                               |                          |                         |                                    |                    |
| 17 |                                  |                               |                          |                         |                                    |                    |
| 18 |                                  |                               |                          |                         |                                    |                    |
| 19 |                                  |                               |                          |                         |                                    |                    |
| 20 |                                  |                               |                          |                         |                                    |                    |
| 21 |                                  |                               |                          |                         |                                    |                    |
| 22 |                                  |                               |                          |                         |                                    |                    |
| 23 |                                  |                               |                          |                         |                                    |                    |
| 24 |                                  |                               |                          |                         |                                    |                    |
| 25 |                                  |                               |                          |                         |                                    |                    |
| 26 |                                  |                               |                          |                         |                                    |                    |
| 27 |                                  |                               |                          |                         |                                    |                    |
| 28 |                                  |                               |                          |                         |                                    |                    |
| 29 |                                  |                               |                          |                         |                                    |                    |
| 30 |                                  |                               |                          |                         |                                    |                    |
| 31 |                                  |                               |                          |                         |                                    |                    |
| 32 | <b>TOTAL Montana Customers</b>   |                               |                          |                         |                                    |                    |



**MONTANA EMPLOYEE COUNTS**

Year: 2004

|    | Department                     | Year Beginning | Year End | Average |
|----|--------------------------------|----------------|----------|---------|
| 1  | N/A                            |                |          |         |
| 2  |                                |                |          |         |
| 3  |                                |                |          |         |
| 4  |                                |                |          |         |
| 5  |                                |                |          |         |
| 6  |                                |                |          |         |
| 7  |                                |                |          |         |
| 8  |                                |                |          |         |
| 9  |                                |                |          |         |
| 10 |                                |                |          |         |
| 11 |                                |                |          |         |
| 12 |                                |                |          |         |
| 13 |                                |                |          |         |
| 14 |                                |                |          |         |
| 15 |                                |                |          |         |
| 16 |                                |                |          |         |
| 17 |                                |                |          |         |
| 18 |                                |                |          |         |
| 19 |                                |                |          |         |
| 20 |                                |                |          |         |
| 21 |                                |                |          |         |
| 22 |                                |                |          |         |
| 23 |                                |                |          |         |
| 24 |                                |                |          |         |
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| 26 |                                |                |          |         |
| 27 |                                |                |          |         |
| 28 |                                |                |          |         |
| 29 |                                |                |          |         |
| 30 |                                |                |          |         |
| 31 |                                |                |          |         |
| 32 |                                |                |          |         |
| 33 |                                |                |          |         |
| 34 |                                |                |          |         |
| 35 |                                |                |          |         |
| 36 |                                |                |          |         |
| 37 |                                |                |          |         |
| 38 |                                |                |          |         |
| 39 |                                |                |          |         |
| 40 |                                |                |          |         |
| 41 |                                |                |          |         |
| 42 |                                |                |          |         |
| 43 |                                |                |          |         |
| 44 |                                |                |          |         |
| 45 |                                |                |          |         |
| 46 |                                |                |          |         |
| 47 |                                |                |          |         |
| 48 |                                |                |          |         |
| 49 |                                |                |          |         |
| 50 | <b>TOTAL Montana Employees</b> |                |          |         |

**MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED)**

Year: 2005

|    | Project Description | Total Company | Total Montana |
|----|---------------------|---------------|---------------|
| 1  | N/A                 |               |               |
| 2  |                     |               |               |
| 3  |                     |               |               |
| 4  |                     |               |               |
| 5  |                     |               |               |
| 6  |                     |               |               |
| 7  |                     |               |               |
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| 44 |                     |               |               |
| 45 |                     |               |               |
| 46 |                     |               |               |
| 47 |                     |               |               |
| 48 |                     |               |               |
| 49 |                     |               |               |
| 50 | <b>TOTAL</b>        |               |               |

**TOTAL SYSTEM & MONTANA PEAK AND ENERGY**

Year: 2004

**System**

|    |              | Peak Day of Month | Peak Hour | Peak Day Volumes Megawatts | Total Monthly Volumes Energy (Mwh) | Non-Requirements Sales For Resale (Mwh) |
|----|--------------|-------------------|-----------|----------------------------|------------------------------------|---|
| 1  | Jan.         | 5                 | 1800      | 343                        | 264,947                            | 79,805                                  |
| 2  | Feb.         | 11                | 1900      | 329                        | 226,161                            | 53,354                                  |
| 3  | Mar.         | 2                 | 900       | 290                        | 239,997                            | 69,176                                  |
| 4  | Apr.         | 29                | 1000      | 265                        | 229,358                            | 77,569                                  |
| 5  | May          | 5                 | 1400      | 267                        | 230,302                            | 69,566                                  |
| 6  | Jun.         | 30                | 1300      | 317                        | 275,664                            | 112,451                                 |
| 7  | Jul.         | 19                | 1500      | 376                        | 302,594                            | 114,514                                 |
| 8  | Aug.         | 2                 | 1600      | 373                        | 308,370                            | 128,649                                 |
| 9  | Sep.         | 1                 | 1500      | 344                        | 253,658                            | 92,174                                  |
| 10 | Oct.         | 25                | 1200      | 267                        | 250,041                            | 84,163                                  |
| 11 | Nov.         | 29                | 1900      | 306                        | 256,820                            | 88,227                                  |
| 12 | Dec.         | 23                | 1800      | 332                        | 303,942                            | 120,939                                 |
| 13 | <b>TOTAL</b> |                   |           |                            | <b>3,141,854</b>                   | <b>1,090,587</b>                        |

**Montana**

|    |              | Peak Day of Month  | Peak Hour | Peak Day Volumes Megawatts | Total Monthly Volumes Energy (Mwh) | Non-Requirements Sales For Resale (Mwh) |  |
|----|--------------|--|-----------|----------------------------|------------------------------------|---|--|
| 14 | Jan.         |  |           |                            |                                    |   |  |
| 15 | Feb.         | *Peak information maintained on a total system basis only. |           |                            |                                    |   |  |
| 16 | Mar.         |  |           |                            |                                    |   |  |
| 17 | Apr.         |  |           |                            |                                    |   |  |
| 18 | May          |  |           |                            |                                    |   |  |
| 19 | Jun.         |  |           |                            |                                    |   |  |
| 20 | Jul.         |  |           |                            |                                    |   |  |
| 21 | Aug.         |  |           |                            |                                    |   |  |
| 22 | Sep.         |  |           |                            |                                    |   |  |
| 23 | Oct.         |  |           |                            |                                    |   |  |
| 24 | Nov.         |  |           |                            |                                    |   |  |
| 25 | Dec.         |  |           |                            |                                    |   |  |
| 26 | <b>TOTAL</b> |  |           |                            |                                    |   |  |

**TOTAL SYSTEM Sources & Disposition of Energy**

**SCHEDULE 33**

|    | Sources                          | Megawatthours    | Disposition   | Megawatthours    |
|----|----------------------------------|------------------|---|------------------|
| 1  | Generation (Net of Station Use)  |                  |   |                  |
| 2  | Steam                            | 1,752,620        | Sales to Ultimate Consumers (Include Interdepartmental) | 1,509,635        |
| 3  | Nuclear                          |                  |   |                  |
| 4  | Hydro - Conventional             |                  |   |                  |
| 5  | Hydro - Pumped Storage           |                  | Requirements Sales for Resale                           | 450,334          |
| 6  | Other                            | 27,825           |   |                  |
| 7  | (Less) Energy for Pumping        |                  |   |                  |
| 8  | <b>NET Generation</b>            | <b>1,780,445</b> | Non-Requirements Sales for Resale                       | 1,090,587        |
| 9  | Purchases                        | 1,370,825        |   |                  |
| 10 | Power Exchanges                  |                  |   |                  |
| 11 | Received                         | 17,740           | Energy Furnished Without Charge                         |                  |
| 12 | Delivered                        | (35,695)         |   |                  |
| 13 | <b>NET Exchanges</b>             | <b>(17,955)</b>  |   |                  |
| 14 | Transmission Wheeling for Others |                  | Energy Used Within Electric Utility                     | 7,702            |
| 15 | Received                         | 2,175,847        |   |                  |
| 16 | Delivered                        | (2,167,308)      |   |                  |
| 17 | <b>NET Transmission Wheeling</b> | <b>8,539</b>     | Total Energy Losses                                     | 83,596           |
| 18 | Transmission by Others Losses    |                  |   |                  |
| 19 | <b>TOTAL</b>                     | <b>3,141,854</b> | <b>TOTAL</b>  | <b>3,141,854</b> |

SOURCES OF ELECTRIC SUPPLY

Year: 2004

|    | Type              | Plant Name           | Location       | Annual Peak (MW) | Annual Energy (Mwh) |
|----|-------------------|----------------------|----------------|------------------|---------------------|
| 1  | Thermal           | Ben French           | Rapid City, SD | 98               | 3,058               |
| 2  |                   |                      |                |                  |                     |
| 3  | Thermal           | Ben French           | Rapid City, SD | 10               | 1,039               |
| 4  |                   |                      |                |                  |                     |
| 5  | Thermal           | Ben French           | Rapid City, SD | 24               | 144,283             |
| 6  |                   |                      |                |                  |                     |
| 7  | Thermal           | Osage                | Osage, WY      | 35               | 232,978             |
| 8  |                   |                      |                |                  |                     |
| 9  | Thermal           | Wyodak               | Gillette, WY   | 69               | 534,877             |
| 10 |                   |                      |                |                  |                     |
| 11 | Thermal           | Neil Simpson Complex | Gillette, WY   | 112              | 840,481             |
| 12 |                   |                      |                |                  |                     |
| 13 | Thermal           | Neil Simpson Complex | Gillette, WY   | 39               | 7,025               |
| 14 |                   |                      |                |                  |                     |
| 15 | Thermal           | Lange                | Rapid City, SD | 39               | 16,703              |
| 16 |                   |                      |                |                  |                     |
| 17 | Purchases         | See Schedule 33      |                |                  | 1,052,708           |
| 18 |                   |                      |                |                  |                     |
| 19 | Wheeling          | See Schedule 33      |                |                  | 14,254              |
| 20 |                   |                      |                |                  |                     |
| 21 | Total Interchange | See Schedule 33      |                |                  | (18,885)            |
| 22 |                   |                      |                |                  |                     |
| 23 |                   |                      |                |                  |                     |
| 24 |                   |                      |                |                  |                     |
| 25 |                   |                      |                |                  |                     |
| 26 |                   |                      |                |                  |                     |
| 27 |                   |                      |                |                  |                     |
| 28 |                   |                      |                |                  |                     |
| 29 |                   |                      |                |                  |                     |
| 30 |                   |                      |                |                  |                     |
| 31 |                   |                      |                |                  |                     |
| 32 |                   |                      |                |                  |                     |
| 33 |                   |                      |                |                  |                     |
| 34 |                   |                      |                |                  |                     |
| 35 |                   |                      |                |                  |                     |
| 36 |                   |                      |                |                  |                     |
| 37 |                   |                      |                |                  |                     |
| 38 |                   |                      |                |                  |                     |
| 39 |                   |                      |                |                  |                     |
| 40 |                   |                      |                |                  |                     |
| 41 |                   |                      |                |                  |                     |
| 42 |                   |                      |                |                  |                     |
| 43 |                   |                      |                |                  |                     |
| 44 |                   |                      |                |                  |                     |
| 45 |                   |                      |                |                  |                     |
| 46 |                   |                      |                |                  |                     |
| 47 |                   |                      |                |                  |                     |
| 48 |                   |                      |                |                  |                     |
| 49 | <b>Total</b>      |                      |                | 426              | 2,828,521           |

**MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS**

|    | Program Description | Current Year Expenditures | Last Year Expenditures | % Change | Planned Savings (MW & MWH) | Achieved Savings (MW & MWH) | Difference (MW & MWH) |
|----|---------------------|---------------------------|------------------------|----------|----------------------------|-----------------------------|-----------------------|
| 1  | N/A                 |                           |                        |          |                            |                             |                       |
| 2  |                     |                           |                        |          |                            |                             |                       |
| 3  |                     |                           |                        |          |                            |                             |                       |
| 4  |                     |                           |                        |          |                            |                             |                       |
| 5  |                     |                           |                        |          |                            |                             |                       |
| 6  |                     |                           |                        |          |                            |                             |                       |
| 7  |                     |                           |                        |          |                            |                             |                       |
| 8  |                     |                           |                        |          |                            |                             |                       |
| 9  |                     |                           |                        |          |                            |                             |                       |
| 10 |                     |                           |                        |          |                            |                             |                       |
| 11 |                     |                           |                        |          |                            |                             |                       |
| 12 |                     |                           |                        |          |                            |                             |                       |
| 13 |                     |                           |                        |          |                            |                             |                       |
| 14 |                     |                           |                        |          |                            |                             |                       |
| 15 |                     |                           |                        |          |                            |                             |                       |
| 16 |                     |                           |                        |          |                            |                             |                       |
| 17 |                     |                           |                        |          |                            |                             |                       |
| 18 |                     |                           |                        |          |                            |                             |                       |
| 19 |                     |                           |                        |          |                            |                             |                       |
| 20 |                     |                           |                        |          |                            |                             |                       |
| 21 |                     |                           |                        |          |                            |                             |                       |
| 22 |                     |                           |                        |          |                            |                             |                       |
| 23 |                     |                           |                        |          |                            |                             |                       |
| 24 |                     |                           |                        |          |                            |                             |                       |
| 25 |                     |                           |                        |          |                            |                             |                       |
| 26 |                     |                           |                        |          |                            |                             |                       |
| 27 |                     |                           |                        |          |                            |                             |                       |
| 28 |                     |                           |                        |          |                            |                             |                       |
| 29 |                     |                           |                        |          |                            |                             |                       |
| 30 |                     |                           |                        |          |                            |                             |                       |
| 31 |                     |                           |                        |          |                            |                             |                       |
| 32 | <b>TOTAL</b>        |                           |                        |          |                            |                             |                       |

**MONTANA CONSUMPTION AND REVENUES**

Year: 2004

|                             |                                   | Operating Revenues |               | MegaWatt Hours Sold |               | Avg. No. of Customers |               |
|-----------------------------|-----------------------------------|--------------------|---------------|---------------------|---------------|-----------------------|---------------|
|                             |                                   | Current Year       | Previous Year | Current Year        | Previous Year | Current Year          | Previous Year |
| <b>Sales of Electricity</b> |                                   |                    |               |                     |               |                       |               |
| 1                           | Residential                       | \$ 5,484           | \$ 5,020      | 73                  | 68            | 13                    | 12            |
| 2                           | Commercial - Small                | 13,972             | 16,681        | 145                 | 170           | 19                    | 20            |
| 3                           | Commercial - Large                | 758,705            | 637,833       | 16,470              | 14,031        | 2                     | 2             |
| 4                           | Industrial - Small                |                    |               |                     |               |                       |               |
| 5                           | Industrial - Large                |                    |               |                     |               |                       |               |
| 6                           | Interruptible Industrial          |                    |               |                     |               |                       |               |
| 7                           | Public Street & Highway Lighting  |                    |               |                     |               |                       |               |
| 8                           | Other Sales to Public Authorities |                    |               |                     |               |                       |               |
| 9                           | Sales to Cooperatives             |                    |               |                     |               |                       |               |
| 10                          | Sales to Other Utilities          |                    |               |                     |               |                       |               |
| 11                          | Interdepartmental                 |                    |               |                     |               |                       |               |
| 12                          |                                   |                    |               |                     |               |                       |               |
| 13                          | <b>TOTAL</b>                      | \$ 778,161         | \$ 659,534    | 16,688              | 14,269        | 34                    | 34            |