

YEAR ENDING JUNE 30, 2008

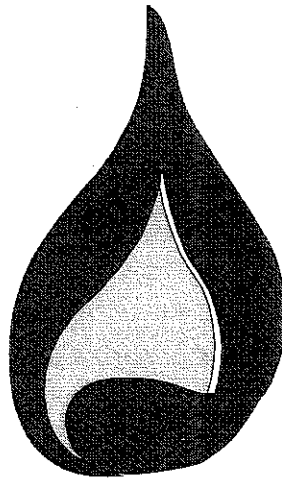
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PUBLIC SERVICE
COMMISSION

ANNUAL REPORT
OF

CUT BANK GAS
COMPANY
GAS UTILITY



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

2008 Gas Annual Report

Instructions

General

1. A Microsoft EXCEL workbook of the annual report is provided on our website 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. You may also obtain these instructions and the report in both an Adobe Acrobat[®] format and as an EXCEL[®] file from our website at <http://psc.mt.gov>. Please be sure you use the 2006 report form.
2. The use of the EXCEL[®] file is optional.
3. 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"
4. Indicate negative amounts (such as decreases) by enclosing the figures in parentheses ().
5. 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.
6. 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).
7. 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.
8. All companies owned by another company shall attach a corporate structure chart of the holding company.
9. 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.

10. 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
Schedule 33

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.

11. For schedules where information may be provided using Mcf or Dkt, circle Mcf or Dkt to indicate which measurement is being reported. (For example, schedules 28, 32, 33 and 34).
12. FERC Form-2 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 201 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

2. 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.)
3. 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 34

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.

Schedule 36a

1. Contracted or committed current year expenditures include those expenditures that derive from preexisting contracts or commitments related to current year program activity but which will actually occur in a year other than the current year.
2. Expected average annual bill savings from weatherization should reflect average household bill savings based on the total households weatherized and the combined savings of all weatherization measures installed.

Gas Annual Report

Table of Contents

Description	Schedule
Instructions	
Identification	1
Board of Directors	2
Officers	3
Corporate Structure	4
Corporate Allocations	5
Affiliate Transactions - To the Utility	6
Affiliate Transactions - By the Utility	7
Montana Utility Income Statement	8
Montana Revenues	9
Montana Operation and Maintenance Expenses	10
Montana Taxes Other Than Income	11
Payments for Services	12
Political Action Committees/Political Contrib.	13
Pension Costs	14
Other Post Employment Benefits	15
Top Ten Montana Compensated Employees	16
Top Five Corporate Compensated Employees	17
Balance Sheet	18

continued on next page

Description	Schedule
Montana Plant in Service	19
Montana Depreciation Summary	20
Montana Materials and Supplies	21
Montana Regulatory Capital Structure	22
Statement of Cash Flows	23
Long Term Debt	24
Preferred Stock	25
Common Stock	26
Montana Earned Rate of Return	27
Montana Composite Statistics	28
Montana Customer Information	29
Montana Employee Counts	30
Montana Construction Budget	31
Transmission, Distribution and Storage Systems	32
Sources of Gas Supply	33
MT Conservation and Demand Side Mgmt. Programs	34
Montana Consumption and Revenues	35
Natural Gas Universal System Benefits Programs	36a
Montana Conservation and Demand Side Management Programs	36b

IDENTIFICATION

Year: 2008

1. Legal Name of Respondent:	Cut Bank Gas Company
2. Name Under Which Respondent Does Business:	Cut Bank Gas Company
3. Date Utility Service First Offered in Montana:	November 19, 1956
4. Address to send Correspondence Concerning Report:	403 E. Main Cut Bank, MT 59427
5. Person Responsible for This Report:	Daniel F. Whetstone
5a. Telephone Number:	(406) 873-5531
Control Over Respondent	
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:	
1b. Means by which control was held:	
1c. Percent Ownership:	

SCHEDULE 2

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Remuneration (b)
1	Daniel F. Whetstone Cut Bank, Montana	<i>Proprietary</i>
2	James R. DeKaye Cut Bank, Montana	
3	David F. Stufft Kalispell, Montana	
4	Daniel J. Konen Great Falls, Montana	
5	D. Jasen Whetstone Princeton, Texas	
6		
7		
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12		
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16		
17		
18		
19		
20		

Officers

Year: 2008

Line No.	Title of Officer (a)	Department Supervised (b)	Name (c)
1	President	All	Daniel F. Whetstone
2	Vice-President	None	James R. DeKaye
3	Secretary	None	David F. Stufft
4	Treasurer	None	Daniel J. Konen
5			
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CORPORATE STRUCTURE

Year: 2008

	Subsidiary/Company Name	Line of Business	Earnings	Percent of Total
1				
2	Not applicable, Cut Bank Gas Company has no affiliates.			
3				
4				
5				
6				
7				
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44				
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46				
47				
48				
49				
50	TOTAL			

CORPORATE ALLOCATIONS

Year: 2008

	Items Allocated	Classification	Allocation Method	\$ to MT Utility	MT %	\$ to Other
1						
2	Cut Bank Gas Company has no corporate allocations.					
3						
4						
5						
6						
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30						
31						
32						
33						
34	TOTAL					

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY Year: 2008

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1						
2	Not applicable, Cut Bank Gas Company has no affiliates.					
3						
4						
5						
6						
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27						
28						
29						
30						
31						
32	TOTAL					

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY Year: 2008

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1						
2	Not applicable, Cut Bank Gas Company has no affiliates.					
3						
4						
5						
6						
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30						
31						
32	TOTAL					

MONTANA UTILITY INCOME STATEMENT

Year: 2008

	Account Number & Title	Last Year	This Year	% Change
1	400 Operating Revenues	2,088,271	2,356,165	12.83%
2				
3	Operating Expenses			
4	401 Operation Expenses	1,885,720	2,195,880	16.45%
5	402 Maintenance Expense	90,277	98,728	9.36%
6	403 Depreciation Expense	33,685	35,017	3.95%
7	404-405 Amort. & Depl. of Gas Plant	-	-	
8	406 Amort. of Gas Plant Acquisition Adjustments	-	-	
9	407.1 Amort. of Property Losses, Unrecovered Plant	-	-	
10	& Regulatory Study Costs	-	-	
11	407.2 Amort. of Conversion Expense	-	-	
12	408.1 Taxes Other Than Income Taxes	66,233	76,010	14.76%
13	409.1 Income Taxes - Federal	-	-	
14	- Other	50	50	
15	410.1 Provision for Deferred Income Taxes	2,816	-	-100.00%
16	411.1 (Less) Provision for Def. Inc. Taxes - Cr.	-	(10,119)	#DIV/0!
17	411.4 Investment Tax Credit Adjustments	-	-	
18	411.6 (Less) Gains from Disposition of Utility Plant	-	-	
19	411.7 Losses from Disposition of Utility Plant	-	-	
20	TOTAL Utility Operating Expenses	2,078,781	2,395,566	15.24%
21	NET UTILITY OPERATING INCOME	9,490	(39,401)	-515.18%

MONTANA REVENUES

SCHEDULE 9

	Account Number & Title	Last Year	This Year	% Change
1	Sales of Gas			
2	480 Residential	2,075,278	2,346,052	13.05%
3	481 Commercial & Industrial - Small	-	-	
4	Commercial & Industrial - Large	-	-	
5	482 Other Sales to Public Authorities	-	-	
6	484 Interdepartmental Sales	-	-	
7	485 Intracompany Transfers	-	-	
8	TOTAL Sales to Ultimate Consumers	2,075,278	2,346,052	13.05%
9	483 Sales for Resale	-	-	
10	TOTAL Sales of Gas	2,075,278	2,346,052	13.05%
11	Other Operating Revenues			
12	487 Forfeited Discounts & Late Payment Revenues	-	-	
13	488 Miscellaneous Service Revenues	6,601	5,422	-17.86%
14	489 Revenues from Transp. of Gas for Others	-	-	
15	490 Sales of Products Extracted from Natural Gas	-	-	
16	491 Revenues from Nat. Gas Processed by Others	-	-	
17	492 Incidental Gasoline & Oil Sales	-	-	
18	493 Rent From Gas Property	-	-	
19	494 Interdepartmental Rents	-	-	
20	495 Other Gas Revenues (Schedule 9A)	6,392	4,691	-26.61%
21	TOTAL Other Operating Revenues	12,993	10,113	-22.17%
22	Total Gas Operating Revenues	2,088,271	2,356,165	12.83%
23				
24	496 (Less) Provision for Rate Refunds	-	-	
25				
26	TOTAL Oper. Revs. Net of Pro. for Refunds	2,088,271	2,356,165	12.83%

SCHEDULE 9A

**CUT BANK GAS CO.
SCHEDULE TO ATTACH TO PSC REPORT
JUNE 30, 2008**

LINE 20 SCH 9 OTHER GAS REVENUE

	LAST YEAR	THIS YEAR	% CHANGE
Interest Income	5,409	3,197	-40.89%
Patronage Dividend	166	273	64.46%
Loss on Investment in Cooperatives	(341)	-	-100.00%
Miscellaneous	1,158	1,221	5.44%
Totals	6,392	4,691	-26.61%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2008

Account Number & Title		Last Year	This Year	% Change
1	Production Expenses			
2	Production & Gathering - Operation			
3	750 Operation Supervision & Engineering	26,666	33,717	26.44%
4	751 Production Maps & Records	-	-	
5	752 Gas Wells Expenses	-	-	
6	753 Field Lines Expenses	-	-	
7	754 Field Compressor Station Expenses	6,128	6,413	4.65%
8	755 Field Compressor Station Fuel & Power	-	-	
9	756 Field Measuring & Regulating Station Expense	-	-	
10	757 Purification Expenses	-	-	
11	758 Gas Well Royalties	14,686	15,588	6.14%
12	759 Other Expenses	-	-	
13	760 Rents	-	-	
14	Total Operation - Natural Gas Production	47,480	55,718	17.35%
15	Production & Gathering - Maintenance			
16	761 Maintenance Supervision & Engineering	-	-	
17	762 Maintenance of Structures & Improvements	-	-	
18	763 Maintenance of Producing Gas Wells	7,579	21,325	181.37%
19	764 Maintenance of Field Lines	2,269	687	-69.72%
20	765 Maintenance of Field Compressor Sta. Equip.	-	-	
21	766 Maintenance of Field Meas. & Reg. Sta. Equip.	-	-	
22	767 Maintenance of Purification Equipment	-	-	
23	768 Maintenance of Drilling & Cleaning Equip.	-	-	
24	769 Maintenance of Other Equipment	-	-	
25	Total Maintenance- Natural Gas Prod.	9,848	22,012	123.52%
26	TOTAL Natural Gas Production & Gathering	57,328	77,730	35.59%
27	Products Extraction - Operation			
28	770 Operation Supervision & Engineering	-	-	
29	771 Operation Labor	-	-	
30	772 Gas Shrinkage	-	-	
31	773 Fuel	-	-	
32	774 Power	-	-	
33	775 Materials	-	-	
34	776 Operation Supplies & Expenses	-	-	
35	777 Gas Processed by Others	-	-	
36	778 Royalties on Products Extracted	-	-	
37	779 Marketing Expenses	-	-	
38	780 Products Purchased for Resale	-	-	
39	781 Variation in Products Inventory	-	-	
40	782 (Less) Extracted Products Used by Utility - Cr.	-	-	
41	783 Rents	-	-	
42	Total Operation - Products Extraction	-	-	
43	Products Extraction - Maintenance			
44	784 Maintenance Supervision & Engineering	-	-	
45	785 Maintenance of Structures & Improvements	-	-	
46	786 Maintenance of Extraction & Refining Equip.	-	-	
47	787 Maintenance of Pipe Lines	-	-	
48	788 Maintenance of Extracted Prod. Storage Equip.	-	-	
49	789 Maintenance of Compressor Equipment	-	-	
50	790 Maintenance of Gas Meas. & Reg. Equip.	-	-	
51	791 Maintenance of Other Equipment	-	-	
52	Total Maintenance - Products Extraction	-	-	
53	TOTAL Products Extraction	-	-	

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2008

	Account Number & Title	Last Year	This Year	% Change
1	Production Expenses - continued			
2				
3	Exploration & Development - Operation			
4	795 Delay Rentals	-	-	
5	796 Nonproductive Well Drilling	-	-	
6	797 Abandoned Leases	-	-	
7	798 Other Exploration	-	-	
8	TOTAL Exploration & Development	-	-	
9				
10	Other Gas Supply Expenses - Operation			
11	800 Natural Gas Wellhead Purchases	-	-	
12	800.1 Nat. Gas Wellhead Purch., Intracomp. Trans.	-	-	
13	801 Natural Gas Field Line Purchases	-	-	
14	802 Natural Gas Gasoline Plant Outlet Purchases	-	-	
15	803 Natural Gas Transmission Line Purchases	-	-	
16	804 Natural Gas City Gate Purchases	1,325,105	1,603,099	20.98%
17	805 Other Gas Purchases	-	-	
18	805.1 Purchased Gas Cost Adjustments	-	-	
19	805.2 Incremental Gas Cost Adjustments	-	-	
20	806 Exchange Gas	-	-	
21	807.1 Well Expenses - Purchased Gas	-	-	
22	807.2 Operation of Purch. Gas Measuring Stations	-	-	
23	807.3 Maintenance of Purch. Gas Measuring Stations	-	-	
24	807.4 Purchased Gas Calculations Expenses	-	-	
25	807.5 Other Purchased Gas Expenses	-	-	
26	808.1 Gas Withdrawn from Storage -Dr.	-	-	
27	808.2 (Less) Gas Delivered to Storage -Cr.	-	-	
28	809.2 (Less) Deliveries of Nat. Gas for Processing-Cr.	-	-	
29	810 (Less) Gas Used for Compressor Sta. Fuel-Cr.	-	-	
30	811 (Less) Gas Used for Products Extraction-Cr.	-	-	
31	812 (Less) Gas Used for Other Utility Operations-Cr.	-	-	
32	813 Other Gas Supply Expenses	-	-	
33	TOTAL Other Gas Supply Expenses	1,325,105	1,603,099	20.98%
34				
35	TOTAL PRODUCTION EXPENSES	1,382,433	1,680,829	21.58%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2008

Account Number & Title		Last Year	This Year	% Change
1	Storage, Terminaling & Processing Expenses			
2				
3	Underground Storage Expenses - Operation			
4	814 Operation Supervision & Engineering	-	-	
5	815 Maps & Records	-	-	
6	816 Wells Expenses	-	-	
7	817 Lines Expenses	-	-	
8	818 Compressor Station Expenses	Cut Bank Gas Company has no expense of this nature on this page.		
9	819 Compressor Station Fuel & Power			
10	820 Measuring & Reg. Station Expenses			
11	821 Purification Expenses	-	-	
12	822 Exploration & Development	-	-	
13	823 Gas Losses	-	-	
14	824 Other Expenses	-	-	
15	825 Storage Well Royalties	-	-	
16	826 Rents	-	-	
17	Total Operation - Underground Strg. Exp.	-	-	
18				
19	Underground Storage Expenses - Maintenance			
20	830 Maintenance Supervision & Engineering	-	-	
21	831 Maintenance of Structures & Improvements	-	-	
22	832 Maintenance of Reservoirs & Wells	-	-	
23	833 Maintenance of Lines	-	-	
24	834 Maintenance of Compressor Station Equip.	-	-	
25	835 Maintenance of Meas. & Reg. Sta. Equip.	-	-	
26	836 Maintenance of Purification Equipment	-	-	
27	837 Maintenance of Other Equipment	-	-	
28	Total Maintenance - Underground Storage	-	-	
29	TOTAL Underground Storage Expenses	-	-	
30				
31	Other Storage Expenses - Operation			
32	840 Operation Supervision & Engineering	-	-	
33	841 Operation Labor and Expenses	-	-	
34	842 Rents	-	-	
35	842.1 Fuel	-	-	
36	842.2 Power	-	-	
37	842.3 Gas Losses	-	-	
38	Total Operation - Other Storage Expenses	-	-	
39				
40	Other Storage Expenses - Maintenance			
41	843.1 Maintenance Supervision & Engineering	-	-	
42	843.2 Maintenance of Structures & Improvements	-	-	
43	843.3 Maintenance of Gas Holders	-	-	
44	843.4 Maintenance of Purification Equipment	-	-	
45	843.6 Maintenance of Vaporizing Equipment	-	-	
46	843.7 Maintenance of Compressor Equipment	-	-	
47	843.8 Maintenance of Measuring & Reg. Equipment	-	-	
48	843.9 Maintenance of Other Equipment	-	-	
49	Total Maintenance - Other Storage Exp.	-	-	
50	TOTAL - Other Storage Expenses	-	-	
51				
52	TOTAL - STORAGE, TERMINALING & PROC.	-	-	

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2008

Account Number & Title		Last Year	This Year	% Change
1	Transmission Expenses			
2	Operation			
3	850 Operation Supervision & Engineering	-	-	
4	851 System Control & Load Dispatching	-	-	
5	852 Communications System Expenses	-	-	
6	853 Compressor Station Labor & Expenses	-	-	
7	854 Gas for Compressor Station Fuel	-	-	
8	855 Other Fuel & Power for Compressor Stations	-	-	
9	856 Mains Expenses	-	-	
10	857 Measuring & Regulating Station Expenses	-	-	
11	858 Transmission & Compression of Gas by Others	-	-	
12	859 Other Expenses	-	-	
13	860 Rents	-	-	
14	Total Operation - Transmission	-	-	
15	Maintenance			
16	861 Maintenance Supervision & Engineering	-	-	
17	862 Maintenance of Structures & Improvements	-	-	
18	863 Maintenance of Mains	-	-	
19	864 Maintenance of Compressor Station Equip.	-	-	
20	865 Maintenance of Measuring & Reg. Sta. Equip.	-	-	
21	866 Maintenance of Communication Equipment	-	-	
22	867 Maintenance of Other Equipment	-	-	
23	Total Maintenance - Transmission	-	-	
24	TOTAL Transmission Expenses	-	-	
25	Distribution Expenses			
26	Operation			
27	870 Operation Supervision & Engineering	6,694	7,593	13.43%
28	871 Distribution Load Dispatching	-	-	
29	872 Compressor Station Labor and Expenses	-	-	
30	873 Compressor Station Fuel and Power	-	-	
31	874 Mains and Services Expenses	41,384	44,525	7.59%
32	875 Measuring & Reg. Station Exp.-General	-	-	
33	876 Measuring & Reg. Station Exp.-Industrial	-	-	
34	877 Meas. & Reg. Station Exp.-City Gate Ck. Sta.	-	-	
35	878 Meter & House Regulator Expenses	22,171	25,623	15.57%
36	879 Customer Installations Expenses	13,177	19,450	47.61%
37	880 Other Expenses	3,218	3,417	6.18%
38	881 Rents	-	-	
39	Total Operation - Distribution	86,644	100,608	16.12%
40	Maintenance			
41	885 Maintenance Supervision & Engineering	-	-	
42	886 Maintenance of Structures & Improvements	-	-	
43	887 Maintenance of Mains	41,634	29,277	-29.68%
44	888 Maint. of Compressor Station Equipment	-	-	
45	889 Maint. of Meas. & Reg. Station Exp.-General	-	-	
46	890 Maint. of Meas. & Reg. Sta. Exp.-Industrial	-	-	
47	891 Maint. of Meas. & Reg. Sta. Equip.-City Gate	-	-	
48	892 Maintenance of Services	-	-	
49	893 Maintenance of Meters & House Regulators	9,439	14,283	51.32%
50	894 Maintenance of Other Equipment	-	-	
51	Total Maintenance - Distribution	51,073	43,560	-14.71%
52	TOTAL Distribution Expenses	137,717	144,168	4.68%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2008

Account Number & Title		Last Year	This Year	% Change
1				
2	Customer Accounts Expenses			
3	Operation			
4	901 Supervision	-	-	
5	902 Meter Reading Expenses	24,439	24,189	-1.02%
6	903 Customer Records & Collection Expenses	45,708	48,885	6.95%
7	904 Uncollectible Accounts Expenses	4,706	7,753	64.75%
8	905 Miscellaneous Customer Accounts Expenses	9,501	8,588	-9.61%
9				
10	TOTAL Customer Accounts Expenses	84,354	89,415	6.00%
11				
12	Customer Service & Informational Expenses			
13	Operation			
14	907 Supervision	-	-	
15	908 Customer Assistance Expenses	-	-	
16	909 Informational & Instructional Advertising Exp.	-	-	
17	910 Miscellaneous Customer Service & Info. Exp.	-	-	
18				
19	TOTAL Customer Service & Info. Expenses	-	-	
20				
21	Sales Expenses			
22	Operation			
23	911 Supervision	-	-	
24	912 Demonstrating & Selling Expenses	-	-	
25	913 Advertising Expenses	1,567	1,213	-22.59%
26	916 Miscellaneous Sales Expenses	-	-	
27				
28	TOTAL Sales Expenses	1,567	1,213	-22.59%
29				
30	Administrative & General Expenses			
31	Operation			
32	920 Administrative & General Salaries	108,828	112,888	3.73%
33	921 Office Supplies & Expenses	14,060	17,453	24.13%
34	922 (Less) Administrative Expenses Transferred - Cr.	-	-	
35	923 Outside Services Employed	50,173	64,131	27.82%
36	924 Property Insurance	17,899	17,089	-4.53%
37	925 Injuries & Damages	18,949	20,783	9.68%
38	926 Employee Pensions & Benefits	35,730	16,899	-52.70%
39	927 Franchise Requirements	-	-	
40	928 Regulatory Commission Expenses	23,248	25,854	11.21%
41	929 (Less) Duplicate Charges - Cr.	-	-	
42	930.1 General Advertising Expenses	-	-	
43	930.2 Miscellaneous General Expenses (Sched. 10A)	45,927	44,177	-3.81%
44	931 Rents	3,435	3,408	-0.79%
45	933 Transportation	22,321	23,145	3.69%
46	TOTAL Operation - Admin. & General	340,570	345,827	1.54%
47	Maintenance			
48	935 Maintenance of General Plant	29,356	33,156	12.94%
49				
50	TOTAL Administrative & General Expenses	369,926	378,983	2.45%
51	TOTAL OPERATION & MAINTENANCE EXP.	1,975,997	2,294,608	16.12%

SCHEDULE 10A

CUT BANK GAS CO. SCHEDULE TO ATTACH TO PSC REPORT JUNE 30, 2008			
LINE 43 SCH 10 MISCELLANEOUS GENERAL EXPENSE			
	LAST YEAR	THIS YEAR	% CHANGE
Interest expense	18,300	17,870	-2.35%
Donations	885	595	-32.77%
Miscellaneous expense	26,526	24,566	-7.39%
Communication expense	216	1,146	430.56%
Totals	45,927	44,177	-3.81%

MONTANA TAXES OTHER THAN INCOME

Year: 2008

	Description of Tax	Last Year	This Year	% Change
1	Payroll Taxes	35,939	37,678	4.84%
2	Montana Consumer Counsel	1,263	3,124	147.35%
3	Montana PSC	4,619	7,093	53.56%
4	Property Taxes	10,395	12,979	24.86%
5	Tribal Taxes	1,479	1,479	
6	Natural Gas Production Tax	11,467	12,608	9.95%
7	Vehicle Licenses	1,071	1,049	-2.05%
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50				
51	TOTAL MT Taxes other than Income	66,233	76,010	14.76%

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES

Year: 2008

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	David F. Stufft	Attorney	41,952	41,952	100.00%
2	JCCS, CPA's	Accountants	13,667	13,667	100.00%
3	Ronald Woods	Rate Analyst	8,512	8,512	100.00%
4					
5					
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49					
50	TOTAL Payments for Services		64,131	64,131	100%

POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS Year: 2008

	Description	Total Company	Montana	% Montana
1				
2	Cut Bank Gas Company does not make political contributions.			
3				
4				
5				
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49				
50	TOTAL Contributions			

Pension Costs

Year: 2008

1	Plan Name: Cut Bank Gas Co., Inc. Profit Sharing Plan & Trust			
2	Defined Benefit Plan? No	Defined Contribution Plan? YES		
3	Actuarial Cost Method? N/A			
4	Is the Plan Over Funded? No	IRS Code: Sec. 401(a), 401(k)		
5	Annual Contribution by Employer: \$ -0-			
	Item	Current Year	Last Year	% Change
6	Change in Benefit Obligation			
7	Benefit obligation at beginning of year	-	-	
8	Service cost	-	-	
9	Interest Cost	-	-	
10	Plan participants' contributions	-	-	
11	Amendments	-	-	
12	Actuarial Gain	-	-	
13	Acquisition	-	-	
14	Benefits paid	-	-	
15	Benefit obligation at end of year	-	-	
16	Change in Plan Assets			
17	Fair value of plan assets at beginning of year	560,632	502,432	11.58%
18	Actual return on plan assets	(11,536)	28,771	-140.10%
19	Acquisition	-	-	
20	Employer contribution	-	10,644	-100.00%
21	Plan participants' contributions	19,480	18,785	3.70%
22	Benefits paid	-	-	
23	Fair value of plan assets at end of year	568,576	560,632	1.42%
24	Funded Status			
25	Unrecognized net actuarial loss	-	-	
26	Unrecognized prior service cost	-	-	
27	Prepaid (accrued) benefit cost	-	-	
28				
29	Weighted-average Assumptions as of Year End			
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	Components of Net Periodic Benefit Costs			
35	Service cost	-	-	
36	Interest cost	-	-	
37	Expected return on plan assets	-	-	
38	Amortization of prior service cost	-	-	
39	Recognized net actuarial loss	-	-	
40	Net periodic benefit cost	-	-	
41				
42	Montana Intrastate Costs:			
43	Pension Costs	-	-	
44	Pension Costs Capitalized	-	-	
45	Accumulated Pension Asset (Liability) at Year End	-	-	
46	Number of Company Employees:			
47	Covered by the Plan	7	7	
48	Not Covered by the Plan	-	-	
49	Active	7	7	
50	Retired	-	-	
51	Deferred Vested Terminated	-	-	

Other Post Employment Benefits (OPEBS)

Item	Current Year	Last Year	% Change
1 Regulatory Treatment:			
2 Commission authorized - most recent			
3 Docket number: _____			
4 Order number: _____			
5 Amount recovered through rates			
6 Weighted-average Assumptions as of Year End	Cut Bank Gas company has no other post employment benefits.		
7 Discount rate			
8 Expected return on plan assets			
9 Medical Cost Inflation Rate			
10 Actuarial Cost Method			
11 Rate of compensation increase			
12 List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:			
13			
14			
15 Describe any Changes to the Benefit Plan:			
16			
17 TOTAL COMPANY			
18 Change in Benefit Obligation			
19 Benefit obligation at beginning of year			
20 Service cost			
21 Interest Cost			
22 Plan participants' contributions			
23 Amendments			
24 Actuarial Gain			
25 Acquisition			
26 Benefits paid			
27 Benefit obligation at end of year			
28 Change in Plan Assets			
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 Funded Status			
37 Unrecognized net actuarial loss			
38 Unrecognized prior service cost			
39 Prepaid (accrued) benefit cost			
40 Components of Net Periodic Benefit Costs			
41 Service cost			
42 Interest cost			
43 Expected return on plan assets			
44 Amortization of prior service cost			
45 Recognized net actuarial loss			
46 Net periodic benefit cost			
47 Accumulated Post Retirement Benefit Obligation			
48 Amount Funded through VEBA			
49 Amount Funded through 401(h)			
50 Amount Funded through Other _____			
51 TOTAL			
52 Amount that was tax deductible - VEBA			
53 Amount that was tax deductible - 401(h)			
54 Amount that was tax deductible - Other _____			
55 TOTAL			

Other Post Employment Benefits (OPEBS) Continued

Year: 2008

	Item	Current Year	Last Year	% Change
1	Number of Company Employees:			
2	Covered by the Plan	Cut Bank Gas company has no other post employment benefits.		
3	Not Covered by the Plan			
4	Active			
5	Retired			
6	Spouses/Dependants covered by the Plan			
7	Montana			
8	Change in Benefit Obligation			
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	Change in Plan Assets			
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	Funded Status			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	Components of Net Periodic Benefit Costs			
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	Accumulated Post Retirement Benefit Obligation			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	Montana Intrastate Costs:			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	Number of Montana Employees:			
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	Daniel Whetstone President						
2	John D. More Serviceman 1st Class						
3	Mark S. Coryell Serviceman 2nd Class						
4	Thomas F. Shock Serviceman 2nd Class						
5	S. Jane Lindberg Bookkeeper						
6	Joseph S. Racki Serviceman 3th Class						
7	Lori L. Milbrandt Secretary/Receptionist						
8							
9							
10							

Proprietary

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 Whetstone President						
2	Thomas F. Shock Serviceman 2nd Class						
3	Mark S. Coryell Serviceman 2nd Class						
4	John D. More Serviceman 1st Class						
5	S. Jane Lindberg Bookkeeper						

PROPRIETARY

BALANCE SHEET

Year: 2008

	Account Number & Title	Last Year	This Year	% Change
1	Assets and Other Debits			
2	Utility Plant			
3	101 Gas Plant in Service	867,695	800,226	-7.78%
4	101.1 Property Under Capital Leases	-	-	
5	102 Gas Plant Purchased or Sold	-	-	
6	104 Gas Plant Leased to Others	-	-	
7	105 Gas Plant Held for Future Use	-	-	
8	105.1 Production Properties Held for Future Use	-	-	
9	106 Completed Constr. Not Classified - Gas	-	-	
10	107 Construction Work in Progress - Gas	-	-	
11	108 (Less) Accumulated Depreciation	(573,885)	(540,185)	5.87%
12	111 (Less) Accumulated Amortization & Depletion	-	-	
13	114 Gas Plant Acquisition Adjustments	-	-	
14	115 (Less) Accum. Amort. Gas Plant Acq. Adj.	-	-	
15	116 Other Gas Plant Adjustments	-	-	
16	117 Gas Stored Underground - Noncurrent	-	-	
17	118 Other Utility Plant	-	-	
18	119 Accum. Depr. and Amort. - Other Util. Plant	-	-	
19	TOTAL Utility Plant	293,810	260,041	-11.49%
20	Other Property & Investments			
21	121 Nonutility Property	-	-	
22	122 (Less) Accum. Depr. & Amort. of Nonutil. Prop.	-	-	
23	123 Investments in Associated Companies	-	-	
24	123.1 Investments in Subsidiary Companies	-	-	
25	124 Other Investments	2,565	2,737	6.71%
26	125 Sinking Funds	-	-	
27	TOTAL Other Property & Investments	2,565	2,737	6.71%
28	Current & Accrued Assets			
29	131 Cash	95,488	49,087	-48.59%
30	132-134 Special Deposits	-	-	
31	135 Working Funds	-	-	
32	136 Temporary Cash Investments	-	-	
33	141 Notes Receivable	-	-	
34	142 Customer Accounts Receivable	80,409	120,178	49.46%
35	143 Other Accounts Receivable	3,671	4,862	32.44%
36	144 (Less) Accum. Provision for Uncollectible Accts.	(7,265)	(9,741)	-34.08%
37	145 Notes Receivable - Associated Companies	-	-	
38	146 Accounts Receivable - Associated Companies	-	-	
39	151 Fuel Stock	-	-	
40	152 Fuel Stock Expenses Undistributed	-	-	
41	153 Residuals and Extracted Products	-	-	
42	154 Plant Materials and Operating Supplies	17,474	17,574	0.57%
43	155 Merchandise	1,391	1,799	29.33%
44	156 Other Material & Supplies	-	-	
45	163 Stores Expense Undistributed	-	-	
46	164.1 Gas Stored Underground - Current	-	-	
47	165 Prepayments	8,298	7,968	-3.98%
48	166 Advances for Gas Explor., Devl. & Production	-	-	
49	171 Interest & Dividends Receivable	-	-	
50	172 Rents Receivable	-	-	
51	173 Accrued Utility Revenues	-	-	
52	174 Miscellaneous Current & Accrued Assets	-	-	
53	TOTAL Current & Accrued Assets	199,466	191,727	-3.88%

BALANCE SHEET

Year: 2008

	Account Number & Title	Last Year	This Year	% Change
1	Assets and Other Debits (cont.)			
2				
3	Deferred Debits			
4				
5	181 Unamortized Debt Expense	-	-	
6	182.1 Extraordinary Property Losses	-	-	
7	182.2 Unrecovered Plant & Regulatory Study Costs	-	-	
8	183.1 Prelim. Nat. Gas Survey & Investigation Chrg.	-	-	
9	183.2 Other Prelim. Nat. Gas Survey & Invtg. Chrgs.	-	-	
10	184 Clearing Accounts	-	-	
11	185 Temporary Facilities	-	-	
12	186 Miscellaneous Deferred Debits	-	-	
13	187 Deferred Losses from Disposition of Util. Plant	-	-	
14	188 Research, Devel. & Demonstration Expend.	-	-	
15	189 Unamortized Loss on Reacquired Debt	-	-	
16	190 Accumulated Deferred Income Taxes	34,963	45,262	29.46%
17	191 Unrecovered Purchased Gas Costs	-	-	
18	192.1 Unrecovered Incremental Gas Costs	-	-	
19	192.2 Unrecovered Incremental Surcharges	-	-	
20	TOTAL Deferred Debits	34,963	45,262	29.46%
21				
22	TOTAL ASSETS & OTHER DEBITS	530,804	499,767	-5.85%
	Account Number & Title	Last Year	This Year	% Change
23	Liabilities and Other Credits			
24				
25	Proprietary Capital			
26				
27	201 Common Stock Issued	90,310	90,310	
28	202 Common Stock Subscribed	-	-	
29	204 Preferred Stock Issued	-	-	
30	205 Preferred Stock Subscribed	-	-	
31	207 Premium on Capital Stock	-	-	
32	211 Miscellaneous Paid-In Capital	-	-	
33	213 (Less) Discount on Capital Stock	-	-	
34	214 (Less) Capital Stock Expense	-	-	
35	215 Appropriated Retained Earnings	-	-	
36	216 Unappropriated Retained Earnings	30,842	(8,559)	-127.75%
37	217 (Less) Reacquired Capital Stock	-	-	
38	TOTAL Proprietary Capital	121,152	81,751	-32.52%
39				
40	Long Term Debt			
41				
42	221 Bonds	-	-	
43	222 (Less) Reacquired Bonds	-	-	
44	223 Advances from Associated Companies	-	-	
45	224 Other Long Term Debt	13,706	7,881	-42.50%
46	225 Unamortized Premium on Long Term Debt	-	-	
47	226 (Less) Unamort. Discount on L-Term Debt-Dr.	-	-	
48	TOTAL Long Term Debt	13,706	7,881	-42.50%

BALANCE SHEET

Year: 2008

	Account Number & Title	Last Year	This Year	% Change
1				
2	Total Liabilities and Other Credits (cont.)			
3				
4	Other Noncurrent Liabilities			
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	TOTAL Other Noncurrent Liabilities	-	-	
13				
14	Current & Accrued Liabilities			
15				
16	231 Notes Payable	167,455	149,528	-10.71%
17	232 Accounts Payable	107,863	162,392	50.55%
18	233 Notes Payable to Associated Companies	-	-	
19	234 Accounts Payable to Associated Companies	-	-	
20	235 Customer Deposits	52,822	44,532	-15.69%
21	236 Taxes Accrued	9,408	10,003	6.32%
22	237 Interest Accrued	30,680	29,110	-5.12%
23	238 Dividends Declared	-	-	
24	239 Matured Long Term Debt	-	-	
25	240 Matured Interest	-	-	
26	241 Tax Collections Payable	-	-	
27	242 Miscellaneous Current & Accrued Liabilities	14,619	1,291	-91.17%
28	243 Obligations Under Capital Leases - Current	-	-	
29	TOTAL Current & Accrued Liabilities	382,847	396,856	3.66%
30				
31	Deferred Credits			
32				
33	252 Customer Advances for Construction	-	-	
34	253 Other Deferred Credits	-	-	
35	255 Accumulated Deferred Investment Tax Credits	-	-	
36	256 Deferred Gains from Disposition Of Util. Plant	-	-	
37	257 Unamortized Gain on Reacquired Debt	-	-	
38	281-283 Accumulated Deferred Income Taxes	13,099	13,279	1.37%
39	TOTAL Deferred Credits	13,099	13,279	1.37%
40				
41	TOTAL LIABILITIES & OTHER CREDITS	530,804	499,767	-5.85%

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

Year: 2008

	Account Number & Title	Last Year	This Year	% Change
1	Intangible Plant			
2				
3	301 Organization	11,354	11,354	
4	302 Franchises & Consents	1,770	1,770	
5	303 Miscellaneous Intangible Plant	30,000	30,000	
6				
7	TOTAL Intangible Plant	43,124	43,124	
8				
9	Production Plant			
10				
11	Production & Gathering Plant			
12				
13	325.1 Producing Lands	-	-	
14	325.2 Producing Leaseholds	12,877	12,877	
15	325.3 Gas Rights	-	-	
16	325.4 Rights-of-Way	-	-	
17	325.5 Other Land & Land Rights	-	-	
18	326 Gas Well Structures	-	-	
19	327 Field Compressor Station Structures	6,590	6,590	
20	328 Field Meas. & Reg. Station Structures	-	-	
21	329 Other Structures	-	-	
22	330 Producing Gas Wells-Well Construction	8,159	8,159	
23	331 Producing Gas Wells-Well Equipment	101,835	101,835	
24	332 Field Lines	4,413	4,413	
25	333 Field Compressor Station Equipment	24,032	9,799	-145.25%
26	334 Field Meas. & Reg. Station Equipment	1,276	2,476	48.47%
27	335 Drilling & Cleaning Equipment	-	-	
28	336 Purification Equipment	-	-	
29	337 Other Equipment	-	-	
30	338 Unsuccessful Exploration & Dev. Costs	-	-	
31				
32	Total Production & Gathering Plant	159,182	146,149	-8.92%
33				
34	Products Extraction Plant			
35				
36	340 Land & Land Rights	-	-	
37	341 Structures & Improvements	-	-	
38	342 Extraction & Refining Equipment	-	-	
39	343 Pipe Lines	-	-	
40	344 Extracted Products Storage Equipment	-	-	
41	345 Compressor Equipment	-	-	
42	346 Gas Measuring & Regulating Equipment	-	-	
43	347 Other Equipment	-	-	
44				
45	Total Products Extraction Plant	-	-	
46				
47	TOTAL Production Plant	159,182	146,149	-8.92%

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

Year: 2008

Account Number & Title		Last Year	This Year	% Change
1				
2	Natural Gas Storage and Processing Plant			
3				
4	Underground Storage Plant			
5				
6	350.1 Land	There are no storage and processing plant assets		
7	350.2 Rights-of-Way			
8	351 Structures & Improvements			
9	352 Wells			
10	352.1 Storage Leaseholds & Rights			
11	352.2 Reservoirs			
12	352.3 Non-Recoverable Natural Gas			
13	353 Lines			
14	354 Compressor Station Equipment			
15	355 Measuring & Regulating Equipment			
16	356 Purification Equipment	-	-	
17	357 Other Equipment	-	-	
18				
19	Total Underground Storage Plant	-	-	
20				
21	Other Storage Plant			
22				
23	360 Land & Land Rights	-	-	
24	361 Structures & Improvements	-	-	
25	362 Gas Holders	-	-	
26	363 Purification Equipment	-	-	
27	363.1 Liquification Equipment	-	-	
28	363.2 Vaporizing Equipment	-	-	
29	363.3 Compressor Equipment	-	-	
30	363.4 Measuring & Regulating Equipment	-	-	
31	363.5 Other Equipment	-	-	
32				
33	Total Other Storage Plant	-	-	
34				
35	TOTAL Natural Gas Storage and Processing Plant	-	-	
36				
37	Transmission Plant			
38				
39	365.1 Land & Land Rights	-	-	
40	365.2 Rights-of-Way	-	-	
41	366 Structures & Improvements	-	-	
42	367 Mains	792	792	
43	368 Compressor Station Equipment	-	-	
44	369 Measuring & Reg. Station Equipment	-	-	
45	370 Communication Equipment	-	-	
46	371 Other Equipment	-	-	
47				
48	TOTAL Transmission Plant	792	792	

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

Year: 2008

	Account Number & Title	Last Year	This Year	% Change
1				
2	Distribution Plant			
3				
4	374 Land & Land Rights	-	-	
5	375 Structures & Improvements	-	-	
6	376 Mains	234,163	224,525	-4.12%
7	377 Compressor Station Equipment	-	-	
8	378 Meas. & Reg. Station Equipment-General	-	-	
9	379 Meas. & Reg. Station Equipment-City Gate	18,379	18,379	
10	380 Services	964	-	-100.00%
11	381 Meters	96,052	61,698	-35.77%
12	382 Meter Installations	28,949	23,303	-19.50%
13	383 House Regulators	-	-	
14	384 House Regulator Installations	-	-	
15	385 Industrial Meas. & Reg. Station Equipment	-	-	
16	386 Other Prop. on Customers' Premises	-	-	
17	387 Other Equipment	-	-	
18				
19	TOTAL Distribution Plant	378,507	327,905	-13.37%
20				
21	General Plant			
22				
23	389 Land & Land Rights	10,000	10,000	
24	390 Structures & Improvements	84,119	83,502	-0.73%
25	391 Office Furniture & Equipment	35,432	35,432	
26	392 Transportation Equipment	91,168	87,951	-3.53%
27	393 Stores Equipment	-	-	
28	394 Tools, Shop & Garage Equipment	14,424	14,424	
29	395 Laboratory Equipment	-	-	
30	396 Power Operated Equipment	49,287	49,287	
31	397 Communication Equipment	899	899	
32	398 Miscellaneous Equipment	761	761	
33	399 Other Tangible Property	-	-	
34				
35	TOTAL General Plant	286,090	282,256	-1.34%
36				
37	TOTAL Gas Plant in Service	867,695	800,226	-7.78%

MONTANA DEPRECIATION SUMMARY

Year: 2008

	Functional Plant Classification	Plant Cost	Accumulated Depreciation		Current Avg. Rate
			Last Year Bal.	This Year Bal.	
1	Production & Gathering	146,149	144,647	131,231	-
2	Products Extraction	-	-	-	-
3	Underground Storage	-	-	-	-
4	Other Storage	-	-	-	-
5	Transmission	792	792	792	-
6	Distribution	327,905	233,883	201,283	-
7	General	282,256	194,563	206,879	-
8	TOTAL	757,102	573,885	540,185	-

SCHEDULE 21

MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)

	Account	Last Year Bal.	This Year Bal.	%Change
1				
2	151 Fuel Stock	-	-	
3	152 Fuel Stock Expenses - Undistributed	-	-	
4	153 Residuals & Extracted Products	-	-	
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)	17,474	17,574	0.57%
11	Assigned to Other	-	-	
12	155 Merchandise	1,391	1,799	29.33%
13	156 Other Materials & Supplies	-	-	
14	163 Stores Expense Undistributed	-	-	
15				
16	TOTAL Materials & Supplies	18,865	19,373	2.69%

SCHEDULE 22

MONTANA REGULATORY CAPITAL STRUCTURE & COSTS

	Commission Accepted - Most Recent		% Cap. Str.	% Cost Rate	Weighted Cost
1	Docket Number	D2006.2.15			
2	Order Number	6720c	Pass throughs not included		
3					
4	Common Equity	187,849	55.00%	10.270	5.65
5	Preferred Stock	-	-	-	-
6	Long Term Debt	153,695	45.00%	7.000	3.15
7	Other	-	-	-	-
8	TOTAL	341,544	100.00%		8.80
9					
10	Actual at Year End				
11					
12	Common Equity	81,751	86.96%	-	-
13	Preferred Stock	-	-	-	-
14	Long Term Debt	12,456	13.04%	-	-
15	Other	-	-	-	-
16	TOTAL	94,207	100.00%		-

STATEMENT OF CASH FLOWS

Year: 2008

	Description	Last Year	This Year	% Change
1				
2	Increase/(decrease) in Cash & Cash Equivalents:			
3				
4	Cash Flows from Operating Activities:			
5	Net Income	9,490	(39,401)	-515.18%
6	Depreciation	33,685	35,017	3.95%
7	Patronage Dividend	(166)	(273)	-64.46%
8	Deferred Income Taxes - Net	2,816	(10,119)	-459.34%
9	Investment Tax Credit Adjustments - Net	-	-	
10	Change in Operating Receivables - Net	14,248	(38,484)	-370.10%
11	Change in Materials, Supplies & Inventories - Net	70	(508)	-825.71%
12	Change in Operating Payables & Accrued Liabilities - Net	7,439	40,225	440.73%
13	Allowance for Funds Used During Construction (AFUDC)	-	-	
14	Change in Other Assets & Liabilities - Net	8,775	(7,960)	-190.71%
15	Other Operating Activities	341	-	-100.00%
16	Net Cash Provided by/(Used in) Operating Activities	76,698	(21,503)	-128.04%
17				
18	Cash Inflows/Outflows From Investment Activities:			
19	Construction/Acquisition of Property, Plant and Equipment			
20	(net of AFUDC & Capital Lease Related Acquisitions)	(59,999)	(1,248)	97.92%
21	Acquisition of Other Noncurrent Assets	-	-	
22	Proceeds from Disposal of Noncurrent Assets	66	102	54.55%
23	Investments In and Advances to Affiliates	-	-	
24	Contributions and Advances from Affiliates	-	-	
25	Disposition of Investments in and Advances to Affiliates	-	-	
26	Other Investing Activities (explained on attached page)	-	-	
27	Net Cash Provided by/(Used in) Investing Activities	(59,933)	(1,146)	98.09%
28				
29	Cash Flows from Financing Activities:			
30	Proceeds from Issuance of:			
31	Long-Term Debt	22,743	-	-100.00%
32	Preferred Stock	-	-	
33	Common Stock	-	-	
34	Other:	-	-	
35	Net Increase in Short-Term Debt	-	-	
36	Other:	-	-	
37	Payment for Retirement of:			
38	Long-Term Debt	(4,582)	(5,705)	-24.51%
39	Preferred Stock	-	-	
40	Common Stock	-	-	
41	Other:	-	-	
42	Net Decrease in Short-Term Debt	(8,832)	(18,047)	-104.34%
43	Dividends on Preferred Stock	-	-	
44	Dividends on Common Stock	-	-	
45	Other Financing Activities (explained on attached page)	-	-	
46	Net Cash Provided by (Used in) Financing Activities	9,329	(23,752)	-354.60%
47				
48	Net Increase/(Decrease) in Cash and Cash Equivalents	26,094	(46,401)	-277.82%
49	Cash and Cash Equivalents at Beginning of Year	69,394	95,488	37.60%
50	Cash and Cash Equivalents at End of Year	95,488	49,087	-48.59%

SCHEDULE 23A

**CUT BANK GAS CO.
SCHEDULE TO ATTACH TO PSC REPORT
JUNE 30, 2008**

LINE 15 SCH 23 OTHER OPERATING ACTIVITIES

	LAST YEAR	THIS YEAR	% CHANGE
Loss on Investment in Cooperative	341	-	-100.00%
Totals	341	-	-100.00%

LONG TERM DEBT

Year: 2008

	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	GMAC Auto Loan	Aug-07	Aug-11	22,743	22,743	12,456		295	2.37%
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
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18									
19									
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21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32	TOTAL			22,743	22,743	12,456		295	2.37%

Company Name: Cut Bank Gas Company

Year: 2008

PREFERRED STOCK

	Series	Issue Date Mo./Yr.	Shares Issued	Par Value	Call Price	Net Proceeds	Cost of Money	Principal Outstanding	Annual Cost	Embed. Cost %
1										
2										
3	Cut Bank Gas Company has no preferred stock.									
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
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21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32	TOTAL									

COMMON STOCK

Year: 2008

	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								
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	TOTAL Year End	\$ 9,031	\$ (4.36)	\$ -	N/A	N/A	N/A	N/A

Information only available for the fiscal year end of June, 2008

MONTANA EARNED RATE OF RETURN

Year: 2008

	Description	Last Year	This Year	% Change
1	Rate Base			
2	101 Plant in Service	867,695	800,226	-7.78%
3	108 (Less) Accumulated Depreciation	(573,885)	(540,185)	5.87%
4	NET Plant in Service	293,810	260,041	-11.49%
5				
6	Additions			
7	154, 156 Materials & Supplies	17,474	17,574	0.57%
8	165 Prepayments	8,298	7,968	-3.98%
9	Other Additions (Schedule 27A)	89,641	95,940	7.03%
10	TOTAL Additions	115,413	121,482	5.26%
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 - Customer Deposits	52,822	44,532	-15.69%
17	TOTAL Deductions	52,822	44,532	-15.69%
18	TOTAL Rate Base	356,401	336,991	-5.45%
19				
20	Net Earnings	9,490	(39,401)	-515.18%
21				
22	Rate of Return on Average Rate Base	2.73%	-11.36%	-516.29%
23				
24	Rate of Return on Average Equity	8.15%	-38.84%	-576.53%
25				
26	Major Normalizing Adjustments & Commission			
27	Ratemaking adjustments to Utility Operations			
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47	Adjusted Rate of Return on Average Rate Base	2.73%	-11.36%	-516.29%
48				
49	Adjusted Rate of Return on Average Equity	8.15%	-38.84%	-576.53%

**CUT BANK GAS CO.
SCHEDULE TO ATTACH TO PSC REPORT
JUNE 30, 2008**

LINE 9 SCH 27 / Per Commission Order #6311b

	LAST YEAR	THIS YEAR	% CHANGE
Operating expenses	1,885,720	2,195,880	16.45%
Maintenance expenses	90,277	98,728	9.36%
Taxes other than income taxes	66,233	76,010	14.76%
	2,042,230	2,370,618	16.08%
Less:			
Purchased Gas	1,325,105	1,603,099	20.98%
	717,125	767,519	7.03%
Divided by	8	8	
1/8 Op. & Maint. for working capital	<u>89,641</u>	<u>95,940</u>	7.03%

MONTANA COMPOSITE STATISTICS

Year: 2008

	Description	Amount
1		
2	Plant (Intrastate Only) (000 Omitted)	
3		
4	101 Plant in Service	800,226
5	107 Construction Work in Progress	-
6	114 Plant Acquisition Adjustments	-
7	105 Plant Held for Future Use	-
8	154, 156 Materials & Supplies	17,574
9	(Less):	
10	108, 111 Depreciation & Amortization Reserves	(540,185)
11	252 Contributions in Aid of Construction	
12		
13	NET BOOK COSTS	277,615
14	Revenues & Expenses (000 Omitted)	
15		
16		
17	400 Operating Revenues	2,346,052
18		
19	403 - 407 Depreciation & Amortization Expenses	35,017
20	Federal & State Income Taxes	50
21	Other Taxes	65,891
22	Other Operating Expenses	2,294,013
23	TOTAL Operating Expenses	2,394,971
24		
25	Net Operating Income	(48,919)
26		
27	415 - 421.1 Other Income	10,113
28	421.2 - 426.5 Other Deductions	595
29		
30	NET INCOME	(39,401)
31	Customers (Intrastate Only)	
32		
33	Year End Average:	
34	Residential	1,243
35	Commercial	255
36	Industrial	-
37	Other	-
38		
39		
40	TOTAL NUMBER OF CUSTOMERS	1,498
41	Other Statistics (Intrastate Only)	
42		
43	Average Annual Residential Use (Mcf or Dkt)	141.57 Mcf
44	Average Annual Residential Cost per (Mcf or Dkt) (\$) *	\$ 11.06
45	* Avg annual cost = [(cost per Mcf or Dkt x annual use) +	
46	(mo. svc chrg x 12)]/annual use	
47	Average Residential Monthly Bill	\$ 130.51
48	Gross Plant per Customer	\$ 534.20

MONTANA CUSTOMER INFORMATION

Year: 2008

	City/Town	Population (Include Rural)	Residential Customers	Commercial Customers	Industrial & Other Customers	Total Customers
1	Cut Bank	4,000	1,243	255		1,498
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
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21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32	TOTAL Montana Customers	4,000	1,243	255		1,498

MONTANA EMPLOYEE COUNTS

Year: 2008

	Department	Year Beginning	Year End	Average
1	Administration	1	1	1
2	Service	4	4	4
3	Office	2	2	2
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
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39				
40				
41				
42				
43				
44				
45				
46				
47				
48				
49				
50	TOTAL Montana Employees	7	7	7

MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED)

Year: 2009

	Project Description	Total Company	Total Montana
1			
2	Cut Bank Gas Company does not project a construction budget.		
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
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41			
42			
43			
44			
45			
46			
47			
48			
49			
50	TOTAL		

TRANSMISSION SYSTEM - TOTAL COMPANY & MONTANA

Year: 2008

Total Company				
		Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
1	January	Cut Bank Gas Company does not have a transmission system.		
2	February			
3	March			
4	April			
5	May			
6	June			
7	July			
8	August			
9	September			
10	October			
11	November			
12	December			
13	TOTAL			

Montana				
		Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
14	January			
15	February			
16	March			
17	April			
18	May			
19	June			
20	July			
21	August			
22	September			
23	October			
24	November			
25	December			
26	TOTAL			

DISTRIBUTION SYSTEM - TOTAL COMPANY & MONTANA

Year: 2008

Total Company			
	Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
1	January	Cut Bank Gas Company does not have the equipment to measure for this.	
2	February		
3	March		
4	April		
5	May		
6	June		
7	July		
8	August		
9	September		
10	October		
11	November		
12	December		
13	TOTAL		

Montana			
	Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
14	January		
15	February		
16	March		
17	April		
18	May		
19	June		
20	July		
21	August		
22	September		
23	October		
24	November		
25	December		
26	TOTAL		

STORAGE SYSTEM - TOTAL COMPANY & MONTANA

Year: 2008

		Total Company					
		Peak Day of Month		Peak Day Volumes (Mcf or Dkt)		Total Monthly Volumes (Mcf or Dkt)	
		Injection	Withdrawal	Injection	Withdrawal	Injection	Withdrawal
1	January						
2	February						
3	March						
4	April						
5	May						
6	June						
7	July						
8	August						
9	September						
10	October						
11	November						
12	December						
13	TOTAL						

Cut Bank Gas Company does not have a storage system.

		Montana					
		Peak Day of Month		Peak Day Volumes (Mcf or Dkt)		Total Monthly Volumes (Mcf or Dkt)	
		Injection	Withdrawal	Injection	Withdrawal	Injection	Withdrawal
14	January						
15	February						
16	March						
17	April						
18	May						
19	June						
20	July						
21	August						
22	September						
23	October						
24	November						
25	December						
26	TOTAL						

SOURCES OF GAS SUPPLY

Year: 2008

	Name of Supplier	Last Year Volumes Mcf or Dkt	This Year Volumes Mcf or Dkt	Last Year Avg. Commodity Cost	This Year Avg. Commodity Cost
1	NorthWestern Energy	167,187 Mcfs	175,605 Mcfs	\$7.926	\$9.129
2		@14.90	@14.90		
3	Cut Bank Gas Company - Royalty	22,386 Mcfs	22,293 Mcfs	\$0.656	\$0.699
4		@ 14.73	@ 14.73		
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					
33	Total Gas Supply Volumes	189,573 Mcfs	197,898 Mcfs	\$7.067	\$8.179

MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS Year: 2008

	Program Description	Current Year Expenditures	Last Year Expenditures	% Change	Planned Savings (Mcf or Dkt)	Achieved Savings (Mcf or Dkt)	Difference
1							
2	Cut Bank Gas Company does not have conservation and demand side management programs.						
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		TOTAL					

MONTANA CONSUMPTION AND REVENUES Year: 2008

		Operating Revenues		MCF Sold		Avg. No. of Customers	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Sales of Gas							
1	Residential						
2	Commercial - Small						
3	Commercial - Large						
4	Industrial - Small						
5	Industrial - Large						
6	Interruptible Industrial						
7	Other Sales to Public Authorities						
8	Sales to Other Utilities						
9	Interdepartmental						
10							
11	TOTAL	2,346,052	2,075,278	212,072	205,118	1,498	1,499
12							
13							
14							
15							
16							
17							
18	Transportation of Gas						
19							
20	Utilities						
21	Industrial						
22	Other						
23							
24	TOTAL						
		Operating Revenues		BCF Transported		Avg. No. of Customers	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
		Cut Bank Gas Company has no Transmission Revenue.					

Natural Gas Universal System Benefits Programs

	Program Description	Actual Current Year Expenditures	Contracted or Committed Current Year Expenditures	Total Current Year Expenditures	Expected savings (MW and MWh)	Most recent program evaluation
1	Local Conservation					
2						
3		Cut Bank Gas Company does not have this program.				
4						
5						
6						
7						
8	Market Transformation					
9						
10						
11						
12						
13						
14						
15	Research & Development					
16						
17						
18						
19						
20						
21						
22	Low Income					
23						
24		91 customers who were LIEAP eligible received \$175 each on their natural gas bill from the customer bill assistance program which is administered by Energy Share of Montana and Opportunities Inc.				
25						
26						
27						
28						
29	Other					
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42	Total					
43	Number of customers that received low income rate discounts					N/A
44	Average monthly bill discount amount (\$/mo)					N/A
45	Average LIEAP-eligible household income					N/A
46	Number of customers that received weatherization assistance					N/A
47	Expected average annual bill savings from weatherization					N/A
48	Number of residential audits performed					N/A

Montana Conservation & Demand Side Management Programs

	Program Description	Actual Current Year Expenditures	Contracted or Committed Current Year Expenditures	Total Current Year Expenditures	Expected savings (MW and MWh)	Most recent program evaluation
1	Local Conservation					
2						
3		Cut Bank Gas Company does not have Conservation and Demand Side Management Programs.				
4						
5						
6						
7						
8	Demand Response					
9						
10						
11						
12						
13						
14						
15	Market Transformation					
16						
17						
18						
19						
20						
21						
22	Research & Development					
23						
24						
25						
26						
27						
28						
29	Low Income					
30						
31						
32						
33						
34						
35	Other					
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47						
48	Total					

Service Date: February 1, 2007

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER OF CUT BANK GAS)	UTILITY DIVISION
COMPANY, Application for Protective Order)	
to Govern Certain Annual Report Information)	DOCKET NO. N2007.1.1
)	ORDER NO. 6805

PROTECTIVE ORDER


On January 2, 2007, Cut Bank Gas Company (CBG) filed before the Public Service Commission (PSC) a motion for a term protective order to govern certain information expected to be filed in CBG annual reports to the PSC. The PSC has recently issued a protective order governing the identical information, *PSC Docket No. N2006.10.157, Order No. 6793 (December 19, 2006)*, but that order was for a single year not a term (period of years). CBG requests protection for a period of four years pursuant to ARM 38.2.5004.

CBG request protection of the wages, salaries, compensation, and benefits paid or provided to CBG's employees, management, and directors. The basis for protection of this information is the right of individual privacy provided in Art. II, Sec. 10, Constitution of the State of Montana.

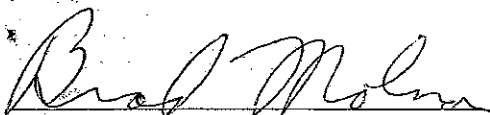
The PSC grants CBG's motion. This order is prospective. It applies to the protected information in CBG's next four filed annual reports. Special terms and conditions requested by CBG, if any, are denied.


Done and dated this 18th day of January, 2007, by a vote of 3-2.


BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION


GREG JERGESON, Chairman

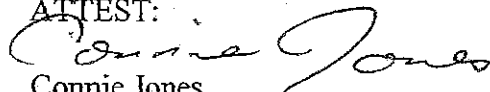

DOUG MOOD, Vice-Chairman


BRAD MOLNAR, Commissioner
(voting to dissent)


ROBERT H. RANEY, Commissioner


KEN TOOLE, Commissioner
(voting to dissent)

ATTEST:


Connie Jones
Commission Secretary

(SEAL)

NOTE: There is no reconsideration of the granting of a protective order. There is a procedure to challenge the provider's claim of confidentiality. See ARM 38.2.5008. Reconsideration of a denial of a protective order is available in accordance with ARM 38.2.4806.

CERTIFICATE OF SERVICE

I hereby certify that a copy of **PROTECTIVE ORDER No. 6805** issued in N2007.1.1 in the matter of Cut Bank Gas Company has today been served on all parties listed on the Commission's most recent service list, created 2/1/07, by mailing a copy thereof to each party by first class mail, postage prepaid.

Date: February 1, 2007

Debbie George
For The Commission

2/1/2007

Utility - Docket Service List

Docket no: N2007.1.1

DAN F WHETSTONE PRESIDENT CUT BANK GAS COMPANY	403 E MAIN ST CUT BANK	MT	59427-3092
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DAVID F STUFFT	PO BOX 2559 KALISPELL	MT	59903-2559
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MARY WRIGHT MONTANA CONSUMER COUNSEL	616 HELENA AVE 3RD FLOOR HELENA	MT	59620
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KATE WHITNEY PUBLIC SERVICE COMMISSION	1701 PROSPECT AVE PO BOX 202601 HELENA	MT	59620-2601
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ROBERT NELSON MONTANA CONSUMER COUNSEL	PO BOX 201703 HELENA	MT	59620-1703
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