

## **SECTION 7**

**Montana-Dakota Utilities Company**  
**Common Plant**

**390.00 STRUCTURES & IMPROVEMENTS**

*Forecasted Future Net Salvage  
Based Upon Experienced Net Salvage 1968 - 2014*

| <u>Year</u>            | <u>Original Cost Of</u> | <u>Gross Salvage</u> |           | <u>Cost of Removal</u> |          | <u>Net Salvage</u> |           |
|------------------------|-------------------------|----------------------|-----------|------------------------|----------|--------------------|-----------|
|                        | <u>Retirements</u>      | <u>Amount</u>        | <u>%</u>  | <u>Amount</u>          | <u>%</u> | <u>Amount</u>      | <u>%</u>  |
| <u>Annual Activity</u> |                         |                      |           |                        |          |                    |           |
| 1968                   | 4,755.66                | 662.00               | 13.92%    | 40.08                  | 0.84%    | 621.92             | 13.08%    |
| 1969                   | 23,146.27               | 350.00               | 1.51%     | 978.69                 | 4.23%    | (628.69)           | -2.72%    |
| 1970                   | 9,535.95                | 5,550.94             | 58.21%    | 1,401.83               | 14.70%   | 4,149.11           | 43.51%    |
| 1971                   | 55.50                   | 816.00               | 1470.27%  | 1,457.69               | 2626.47% | (641.69)           | -1156.20% |
| 1972                   | 89,020.14               | 20,850.79            | 23.42%    | 100.23                 | 0.11%    | 20,750.56          | 23.31%    |
| 1973                   | 823.15                  | 556.00               | 67.55%    | 0.00                   | 0.00%    | 556.00             | 67.55%    |
| 1974                   | 6,649.36                | 0.00                 | 0.00%     | 2,380.69               | 35.80%   | (2,380.69)         | -35.80%   |
| 1975                   | 0.00                    | 0.00                 | 0.00%     | 0.00                   | 0.00%    | 0.00               | 0.00%     |
| 1976                   | 698.69                  | 0.00                 | 0.00%     | 17.84                  | 2.55%    | (17.84)            | -2.55%    |
| 1977                   | 33,563.08               | 10.00                | 0.03%     | 7,368.10               | 21.95%   | (7,358.10)         | -21.92%   |
| 1978                   | 5,945.18                | 166.75               | 2.80%     | 470.81                 | 7.92%    | (304.06)           | -5.11%    |
| 1979                   | 361.83                  | -2.15                | -0.59%    | 28.73                  | 7.94%    | (30.88)            | -8.53%    |
| 1980                   | 36,428.79               | 46,043.00            | 126.39%   | 0.00                   | 0.00%    | 46,043.00          | 126.39%   |
| 1981                   | 386.16                  | 0.00                 | 0.00%     | 0.00                   | 0.00%    | 0.00               | 0.00%     |
| 1982                   | 2,390.36                | -35,198.49           | -1472.52% | 0.00                   | 0.00%    | (35,198.49)        | -1472.52% |
| 1983                   | 151,268.18              | 52,055.19            | 34.41%    | 17,106.40              | 11.31%   | 34,948.79          | 23.10%    |
| 1984                   | 0.00                    | 239.87               | 0.00%     | 0.00                   | 0.00%    | 239.87             | 0.00%     |
| 1985                   | 29,321.00               | 0.00                 | 0.00%     | 0.00                   | 0.00%    | 0.00               | 0.00%     |
| 1986                   | 353,205.79              | 462.87               | 0.13%     | 23,017.27              | 6.52%    | (22,554.40)        | -6.39%    |
| 1987                   | 114,668.89              | 6.60                 | 0.01%     | 178,550.90             | 155.71%  | (178,544.30)       | -155.70%  |
| 1988                   | 1,065.81                | 20.00                | 1.88%     | 44,427.72              | 4168.45% | (44,407.72)        | -4166.57% |
| 1989                   | 2,907.81                | 0.00                 | 0.00%     | 1,361.75               | 46.83%   | (1,361.75)         | -46.83%   |
| 1990                   | 1,179.28                | 0.00                 | 0.00%     | 4,183.53               | 354.75%  | (4,183.53)         | -354.75%  |
| 1991                   | 11,317.67               | 0.00                 | 0.00%     | 21,000.00              | 185.55%  | (21,000.00)        | -185.55%  |
| 1992                   | 6,400.00                | 0.00                 | 0.00%     | 59,485.65              | 929.46%  | (59,485.65)        | -929.46%  |
| 1993                   | 66,938.07               | 5,500.00             | 8.22%     | 11,015.00              | 16.46%   | (5,515.00)         | -8.24%    |
| 1994                   | 76,339.95               | 52.50                | 0.07%     | 3,348.28               | 4.39%    | (3,295.78)         | -4.32%    |
| 1995                   | 249,269.07              | 188,096.00           | 75.46%    | 48,516.38              | 19.46%   | 139,579.62         | 56.00%    |

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| <u>Year</u>            | <u>Original Cost Of</u> | <u>Gross Salvage</u> |          | <u>Cost of Removal</u> |          | <u>Net Salvage</u> |          |
|------------------------|-------------------------|----------------------|----------|------------------------|----------|--------------------|----------|
|                        | <u>Retirements</u>      | <u>Amount</u>        | <u>%</u> | <u>Amount</u>          | <u>%</u> | <u>Amount</u>      | <u>%</u> |
| <u>Annual Activity</u> |                         |                      |          |                        |          |                    |          |
| 1996                   | 174,572.37              | 26,753.21            | 15.32%   | 22,545.80              | 12.91%   | 4,207.41           | 2.41%    |
| 1997                   | 97,788.56               | 45,363.50            | 46.39%   | 4,264.75               | 4.36%    | 41,098.75          | 42.03%   |
| 1998                   | 255,811.74              | 0.00                 | 0.00%    | 40,398.90              | 15.79%   | (40,398.90)        | -15.79%  |
| 1999                   | 303,792.23              | 30,685.00            | 10.10%   | 12,226.33              | 4.02%    | 18,458.67          | 6.08%    |
| 2000                   | 172,070.45              | 10,283.75            | 5.98%    | 30,934.95              | 17.98%   | (20,651.20)        | -12.00%  |
| 2001                   | 109,759.98              | 0.00                 | 0.00%    | 14,718.75              | 13.41%   | (14,718.75)        | -13.41%  |
| 2002                   | 110,036.20              | 0.00                 | 0.00%    | 29,201.73              | 26.54%   | (29,201.73)        | -26.54%  |
| 2003                   | 16,416.00               | 0.00                 | 0.00%    | 0.00                   | 0.00%    | 0.00               | 0.00%    |
| 2004                   | 0.00                    | 0.00                 | 0.00%    | 26,474.19              | 0.00%    | (26,474.19)        | 0.00%    |
| 2005                   | -32,272.79              | 0.00                 | 0.00%    | 225.00                 | 0.00%    | (225.00)           | 0.00%    |
| 2006                   | 13,529.44               | 0.00                 | 0.00%    | 9,972.50               | 73.71%   | (9,972.50)         | -73.71%  |
| 2007                   | 45,025.37               | 0.00                 | 0.00%    | 14,204.68              | 31.55%   | (14,204.68)        | -31.55%  |
| 2008                   | 26,948.70               | 0.00                 | 0.00%    | 2,070.30               | 7.68%    | (2,070.30)         | -7.68%   |
| 2009                   | 0.00                    | 0.00                 | 0.00%    | 0.00                   | 0.00%    | 0.00               | 0.00%    |
| 2010                   | 59,048.64               | 3,138.00             | 5.31%    | 243.60                 | 0.41%    | 2,894.40           | 4.90%    |
| 2011                   | 88,464.39               | 19,860.89            | 22.45%   | 452.55                 | 0.51%    | 19,408.34          | 21.94%   |
| 2012                   | 192,753.79              | 3,871.55             | 2.01%    | 250.00                 | 0.13%    | 3,621.55           | 1.88%    |
| 2013                   | 11,997.96               | 0.00                 | 0.00%    | 0.00                   | 0.00%    | 0.00               | 0.00%    |
| 2014                   | 762,012.59              | 1,212.10             | 0.16%    | 0.00                   | 0.00%    | 1,212.10           | 0.16%    |

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| <u>Year</u>                       | <u>Original Cost Of<br/>Retirements</u> | <u>Gross Salvage</u> |          | <u>Cost of Removal</u> |          | <u>Net Salvage</u> |          |
|-----------------------------------|-----------------------------------------|----------------------|----------|------------------------|----------|--------------------|----------|
|                                   |                                         | <u>Amount</u>        | <u>%</u> | <u>Amount</u>          | <u>%</u> | <u>Amount</u>      | <u>%</u> |
| <u>Three - Year Rolling Bands</u> |                                         |                      |          |                        |          |                    |          |
| 1968 - 1970                       | 37,437.88                               | 6,562.94             | 17.53%   | 2,420.60               | 6.47%    | 4,142.34           | 11.06%   |
| 1969 - 1971                       | 32,737.72                               | 6,716.94             | 20.52%   | 3,838.21               | 11.72%   | 2,878.73           | 8.79%    |
| 1970 - 1972                       | 98,611.59                               | 27,217.73            | 27.60%   | 2,959.75               | 3.00%    | 24,257.98          | 24.60%   |
| 1971 - 1973                       | 89,898.79                               | 22,222.79            | 24.72%   | 1,557.92               | 1.73%    | 20,664.87          | 22.99%   |
| 1972 - 1974                       | 96,492.65                               | 21,406.79            | 22.18%   | 2,480.92               | 2.57%    | 18,925.87          | 19.61%   |
| 1973 - 1975                       | 7,472.51                                | 556.00               | 7.44%    | 2,380.69               | 31.86%   | (1,824.69)         | -24.42%  |
| 1974 - 1976                       | 7,348.05                                | 0.00                 | 0.00%    | 2,398.53               | 32.64%   | (2,398.53)         | -32.64%  |
| 1975 - 1977                       | 34,261.77                               | 10.00                | 0.03%    | 7,385.94               | 21.56%   | (7,375.94)         | -21.53%  |
| 1976 - 1978                       | 40,206.95                               | 176.75               | 0.44%    | 7,856.75               | 19.54%   | (7,680.00)         | -19.10%  |
| 1977 - 1979                       | 39,870.09                               | 174.60               | 0.44%    | 7,867.64               | 19.73%   | (7,693.04)         | -19.30%  |
| 1978 - 1980                       | 42,735.80                               | 46,207.60            | 108.12%  | 499.54                 | 1.17%    | 45,708.06          | 106.95%  |
| 1979 - 1981                       | 37,176.78                               | 46,040.85            | 123.84%  | 28.73                  | 0.08%    | 46,012.12          | 123.77%  |
| 1980 - 1982                       | 39,205.31                               | 10,844.51            | 27.66%   | 0.00                   | 0.00%    | 10,844.51          | 27.66%   |
| 1981 - 1983                       | 154,044.70                              | 16,856.70            | 10.94%   | 17,106.40              | 11.10%   | (249.70)           | -0.16%   |
| 1982 - 1984                       | 153,658.54                              | 17,096.57            | 11.13%   | 17,106.40              | 11.13%   | (9.83)             | -0.01%   |
| 1983 - 1985                       | 180,589.18                              | 52,295.06            | 28.96%   | 17,106.40              | 9.47%    | 35,188.66          | 19.49%   |
| 1984 - 1986                       | 382,526.79                              | 702.74               | 0.18%    | 23,017.27              | 6.02%    | (22,314.53)        | -5.83%   |
| 1985 - 1987                       | 497,195.68                              | 469.47               | 0.09%    | 201,568.17             | 40.54%   | (201,098.70)       | -40.45%  |
| 1986 - 1988                       | 468,940.49                              | 489.47               | 0.10%    | 245,995.89             | 52.46%   | (245,506.42)       | -52.35%  |
| 1987 - 1989                       | 118,642.51                              | 26.60                | 0.02%    | 224,340.37             | 189.09%  | (224,313.77)       | -189.07% |
| 1988 - 1990                       | 5,152.90                                | 20.00                | 0.39%    | 49,973.00              | 969.80%  | (49,953.00)        | -969.42% |
| 1989 - 1991                       | 15,404.76                               | 0.00                 | 0.00%    | 26,545.28              | 172.32%  | (26,545.28)        | -172.32% |
| 1990 - 1992                       | 18,896.95                               | 0.00                 | 0.00%    | 84,669.18              | 448.06%  | (84,669.18)        | -448.06% |
| 1991 - 1993                       | 84,655.74                               | 5,500.00             | 6.50%    | 91,500.65              | 108.09%  | (86,000.65)        | -101.59% |
| 1992 - 1994                       | 149,678.02                              | 5,552.50             | 3.71%    | 73,848.93              | 49.34%   | (68,296.43)        | -45.63%  |
| 1993 - 1995                       | 392,547.09                              | 193,648.50           | 49.33%   | 62,879.66              | 16.02%   | 130,768.84         | 33.31%   |
| 1994 - 1996                       | 500,181.39                              | 214,901.71           | 42.96%   | 74,410.46              | 14.88%   | 140,491.25         | 28.09%   |
| 1995 - 1997                       | 521,630.00                              | 260,212.71           | 49.88%   | 75,326.93              | 14.44%   | 184,885.78         | 35.44%   |

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| <u>Year</u>                       | <u>Original Cost Of<br/>Retirements</u> | <u>Gross Salvage</u> |          | <u>Cost of Removal</u> |          | <u>Net Salvage</u> |          |
|-----------------------------------|-----------------------------------------|----------------------|----------|------------------------|----------|--------------------|----------|
|                                   |                                         | <u>Amount</u>        | <u>%</u> | <u>Amount</u>          | <u>%</u> | <u>Amount</u>      | <u>%</u> |
| <u>Three - Year Rolling Bands</u> |                                         |                      |          |                        |          |                    |          |
| 1996 - 1998                       | 528,172.67                              | 72,116.71            | 13.65%   | 67,209.45              | 12.72%   | 4,907.26           | 0.93%    |
| 1997 - 1999                       | 657,392.53                              | 76,048.50            | 11.57%   | 56,889.98              | 8.65%    | 19,158.52          | 2.91%    |
| 1998 - 2000                       | 731,674.42                              | 40,968.75            | 5.60%    | 83,560.18              | 11.42%   | (42,591.43)        | -5.82%   |
| 1999 - 2001                       | 585,622.66                              | 40,968.75            | 7.00%    | 57,880.03              | 9.88%    | (16,911.28)        | -2.89%   |
| 2000 - 2002                       | 391,866.63                              | 10,283.75            | 2.62%    | 74,855.43              | 19.10%   | (64,571.68)        | -16.48%  |
| 2001 - 2003                       | 236,212.18                              | 0.00                 | 0.00%    | 43,920.48              | 18.59%   | (43,920.48)        | -18.59%  |
| 2002 - 2004                       | 126,452.20                              | 0.00                 | 0.00%    | 55,675.92              | 44.03%   | (55,675.92)        | -44.03%  |
| 2003 - 2005                       | -15,856.79                              | 0.00                 | 0.00%    | 26,699.19              | 0.00%    | (26,699.19)        | 0.00%    |
| 2004 - 2006                       | -18,743.35                              | 0.00                 | 0.00%    | 36,671.69              | 0.00%    | (36,671.69)        | 0.00%    |
| 2005 - 2007                       | 26,282.02                               | 0.00                 | 0.00%    | 24,402.18              | 92.85%   | (24,402.18)        | -92.85%  |
| 2006 - 2008                       | 85,503.51                               | 0.00                 | 0.00%    | 26,247.48              | 30.70%   | (26,247.48)        | -30.70%  |
| 2007 - 2009                       | 71,974.07                               | 0.00                 | 0.00%    | 16,274.98              | 22.61%   | (16,274.98)        | -22.61%  |
| 2008 - 2010                       | 85,997.34                               | 3,138.00             | 3.65%    | 2,313.90               | 2.69%    | 824.10             | 0.96%    |
| 2009 - 2011                       | 147,513.03                              | 22,998.89            | 15.59%   | 696.15                 | 0.47%    | 22,302.74          | 15.12%   |
| 2010 - 2012                       | 340,266.82                              | 26,870.44            | 7.90%    | 946.15                 | 0.28%    | 25,924.29          | 7.62%    |
| 2011 - 2013                       | 293,216.14                              | 23,732.44            | 8.09%    | 702.55                 | 0.24%    | 23,029.89          | 7.85%    |
| 2012 - 2014                       | 966,764.34                              | 5,083.65             | 0.53%    | 250.00                 | 0.03%    | 4,833.65           | 0.50%    |

# Montana-Dakota Utilities Company

## Common Plant

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*Forecasted Future Net Salvage  
Based Upon Experienced Net Salvage 1968 - 2014*

| <u>Year</u> | <u>Original Cost Of</u><br><u>Retirements</u> | <u>Gross Salvage</u><br><u>Amount</u> | <u>%</u> | <u>Cost of Removal</u><br><u>Amount</u> | <u>%</u> | <u>Net Salvage</u><br><u>Amount</u> | <u>%</u> |
|-------------|-----------------------------------------------|---------------------------------------|----------|-----------------------------------------|----------|-------------------------------------|----------|
|-------------|-----------------------------------------------|---------------------------------------|----------|-----------------------------------------|----------|-------------------------------------|----------|

#### Three - Year Rolling Bands

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|             |              |            |       |            |       |              |       |
|-------------|--------------|------------|-------|------------|-------|--------------|-------|
| 1968 - 2014 | 3,685,397.26 | 427,405.87 | 11.60 | 634,441.60 | 17.22 | (207,035.73) | -5.62 |
|-------------|--------------|------------|-------|------------|-------|--------------|-------|

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Trend Analysis (End Year) 2014

\*Based Upon Three - Year Rolling Averages

|                                  |       |
|----------------------------------|-------|
| Annual Inflation Rate            | 2.75% |
| Average Service Life (ASL)       | 42.0  |
| Average Retirement Age (Yrs)     | 30.8  |
| Years To ASL                     | 11.2  |
| Inflation Factor At 2.75% to ASL | 1.36  |

#### Gross Salvage Linear Trend Analysis

|           |                 |       |
|-----------|-----------------|-------|
| 1995-2014 | 20 - Year Trend | 0.00% |
| 2000-2014 | 15 - Year Trend | 5.42% |
| 2005-2014 | 10 - Year Trend | 8.62% |
| 2010-2014 | 5 - Year Trend  | 3.03% |

#### Forecasted

Gross Salvage 3.03%  
( Five Year Trend )

Cost Of Removal 23.36%

Net Salvage -20.33%