

MONTANA-DAKOTA UTILITIES CO.
SUMMARY OF ADJUSTMENTS TO PER BOOKS TAXABLE INCOME
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2004

	<u>Reference</u>	<u>Pro Forma Adjustment</u>
<u>Operating Income</u>		
<u>Current Income Taxes</u>		
Interest Expense Annualization 1/	Statement K, Page 7	(\$70,068)
Income Taxes on Pro Forma Adjustments	Statement K, Page 9	30,960
Elimination of Closing/Filing	Statement K, Page 10	58,532
Tax Depreciation on Plant Additions 1/	Statement K, Page 8	14,562
 <u>Deferred Income Taxes</u>		
Elimination of Closing/Filing from Deferred Income Taxes	Statement K, Page 10	(53,206)
Deferred Income Taxes on Plant Additions - Current	Statement K, Page 8	5,097
 <u>Rate Base</u>		
Accumulated Def. Inc. Tax - Plant additions	Statement K, Page 15	86,472
Accumulated Investment Tax Credits	Statement K, Page 15	(2,088)

1/ Amount is shown before income tax effect.

MONTANA-DAKOTA UTILITIES CO.
CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

	Utility			Non-Utility	Total Company
	Gas	Electric	Total		
Operating Revenue	\$278,525,357	\$178,802,715	\$457,328,072		\$457,328,072
Non-Utility Income (before income taxes)				\$891,177	891,177
Total Revenue	\$278,525,357	\$178,802,715	\$457,328,072	\$891,177	\$458,219,249
Operating Expense:					
O&M Expense	263,256,621	123,657,268	386,913,889		386,913,889
Depreciation Expense	7,646,418	20,198,636	27,845,054		27,845,054
Taxes Other than Income	4,926,232	8,171,178	13,097,410		13,097,410
Total Operating Expense	275,829,271	152,027,082	427,856,353		427,856,353
Operating Income	2,696,086	26,775,633	29,471,719	891,177	30,362,896
Interest Expense	3,565,851	9,115,789	12,681,640		12,681,640
Book Taxable Income before Adjustments	(869,765)	17,659,844	16,790,079	891,177	17,681,256
Deductions and Adjustments to Book Income:					
Tax Deductions 1/	3,079,205	(3,746,882)	(667,677)	1,891,350	1,223,673
Preferred Dividend Paid Deduction	52,865	117,898	170,763		170,763
Total Deductions and Adjustments	3,132,070	(3,628,984)	(496,914)	1,891,350	1,394,436
Taxable Income - Before State Income Tax	(4,001,835)	21,288,828	17,286,993	(1,000,173)	16,286,820
Less: Deductible State Income Taxes	(239,667)	1,272,411	1,032,744	(58,891)	973,853
Federal Taxable Income	(3,762,168)	20,016,417	16,254,249	(941,282)	15,312,967
Federal Income Taxes @ 35%	(1,316,758)	7,005,745	5,688,986	(329,448)	5,359,538
Credits and Adjustments	(7,716)	(11,100)	(18,816)	1,947,529	1,928,713
State Income Taxes	(239,667)	1,272,411	1,032,744	(58,891)	973,853
Federal and State Income Taxes	(1,564,141)	8,267,056	6,702,914	1,559,190	8,262,104
Rounding and Prior Year's Adjustment	(1,246,845)	(603,949)	(1,850,794)	(252,935)	(2,103,729)
Total Federal and State Income Taxes	(2,810,986)	\$7,663,107	\$4,852,120	\$1,306,255	\$6,158,375

1/ See page 3.

MONTANA-DAKOTA UTILITIES CO.
CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES
TAX DEDUCTIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

	Utility			Non-Utility	Total Company
	Gas	Electric	Total		
<u>1900 Account M-1's</u>					
Management Incentive Compensation	(\$271,288)	(\$401,255)	(\$672,543)	(\$14,175)	(\$686,718)
Pension Expense	(1,130,934)	(880,163)	(2,011,097)		(2,011,097)
Sundry Reserves	(10,714)	(23,894)	(34,608)		(34,608)
Property Insurance Adjustment	(10,180)	(17,962)	(28,142)		(28,142)
Bad Debt Expense	21,471	21,106	42,577	2,337	44,914
Accrued Vacation	(67,450)	(52,647)	(120,097)		(120,097)
Capitalized Overheads	(106,509)		(106,509)		(106,509)
Customer Advances	(341,199)	(76,872)	(418,071)		(418,071)
Restricted Stock Bonus Plan	(269,726)	(388,004)	(657,730)		(657,730)
Supplemental Income Security Plan				(2,903,725)	(2,903,725)
FAS 106 - OPRB	(3,764)	(4,743)	(8,507)	(1,007)	(9,514)
Deferred Compensation	(97,460)	(140,197)	(237,657)		(237,657)
BOD Retirement	(167,389)	(240,792)	(408,181)		(408,181)
Demand Charges	(16,982)		(16,982)		(16,982)
PCB related income	14,215		14,215		14,215
<u>2820 Account M-1's</u>					
Liberalized Depreciation and Other					
Property Timing Differences	2,368,443	(477,101)	1,891,342	178,555	2,069,897
Contributions in Aid of Construction	(43,854)	(55,567)	(99,421)		(99,421)
<u>2830 Account M-1's</u>					
Unrecovered Purchased Gas Cost	3,588,161		3,588,161		3,588,161
Amortization of Loss on Bond Retirements	(290,006)	(646,770)	(936,776)		(936,776)
FAS 106 - Deferred Expense	(54,531)		(54,531)		(54,531)
Gas IRP	(53,692)		(53,692)		(53,692)
Rate Case Expense	142,300	(175,591)	(33,291)		(33,291)
Miscellaneous				(646,336)	(646,336)
<u>Permanent M-1's</u>					
Meals & Entertainment	(94,382)	(135,770)	(230,152)	(11,679)	(241,831)
Preferred Stock Expense Amortization	(17,974)	(40,085)	(58,059)		(58,059)
Lobbying Expense				(108,000)	(108,000)
KESOP				4,749,342	4,749,342
Restricted Stock Bonus				261,307	261,307
SISP				384,731	384,731
Federal Nonhwy Use Tax Credit	(7,351)	(10,575)	(17,926)		(17,926)
Total M-1 Deductions	\$3,079,205	(\$3,746,882)	(\$667,677)	\$1,891,350	\$1,223,673

**MONTANA DAKOTA UTILITIES CO.
 COMPUTATION OF INCOME TAX LIABILITY AND TAX SAVINGS
 BASED ON MDU RESOURCES GROUP, INC. 2003
 CONSOLIDATED FEDERAL INCOME TAX RETURN**

	<u>Montana-Dakota Utilities Co.</u>	<u>MDU Resources Group, Inc. 1/</u>
Net Taxable Income (Loss)	<u>\$12,396,544</u>	<u>\$103,851,418</u>
Federal Income Tax:		
Statutory Taxes @ 35%	\$4,338,788	\$36,347,996
Less Credits:		
Nonconventional Source Fuel Credit		0
General Business Credit	<u>6,175</u>	<u>3,453,436</u>
Total Tax	<u>\$4,332,613</u>	<u>\$32,894,560</u>
Tax Savings Arising From Consolidation	<u>\$0</u>	

Montana Dakota Utilities Co. is a member of a group that files a consolidated Federal Income Tax Return. There are no tax savings available to Montana-Dakota Utilities Co. as a result of being included in a consolidated tax return during the test period.

1/ Reflects MDU Resources Group, Inc. and includible subsidiaries.

MONTANA-DAKOTA UTILITIES CO.
CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

	Total Company	East River
Operating Revenue	\$278,525,357	\$6,064,214
Operating Expense:		
O&M Expense	263,256,621	6,284,175
Depreciation Expense	7,646,418	524,264
Taxes Other than Income	4,926,232	194,961
Total Operating Expense	<u>275,829,271</u>	<u>7,003,400</u>
Operating Income	2,696,086	(939,186)
Interest Expense	<u>3,565,851</u>	<u>305,262</u>
Book Taxable Income before Adjustments	(869,765)	(1,244,448)
Deductions and Adjustments to Book Income:		
Tax Deductions 1/	3,079,205	235,385
Preferred Dividend Paid Deduction	52,865	4,231
Total Deductions and Adjustments	<u>3,132,070</u>	<u>239,616</u>
Taxable Income - Before State Income Tax	(4,001,835)	(1,484,064)
Less: State Income Taxes	<u>(239,667)</u>	
Federal Taxable Income	(3,762,168)	(1,484,064)
Federal Income Taxes @ 35%	(1,316,758)	(519,422)
Credits and Adjustments	(7,716)	(272)
State Income Taxes	<u>(239,667)</u>	
Federal and State Income Taxes	(1,564,141)	(519,694)
Rounding and Prior Year's Adjustment	(1,246,845)	(58,532)
Total Federal and State Income Taxes	<u><u>(\$2,810,986)</u></u>	<u><u>(\$578,226)</u></u>

1/ See page 6.

MONTANA-DAKOTA UTILITIES CO.
CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES
TAX DEDUCTIONS
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

	Total	
	Company	East River
<u>1900 Account M-1's</u>		
Management Incentive Compensation	(\$271,288)	(\$9,551)
Pension Expense	(1,130,934)	(39,818)
Sundry Reserves	(10,714)	(857)
Property Insurance Adjustment	(10,180)	(625)
Bad Debt Expense	21,471	(1,276)
Accrued Vacation	(67,450)	(2,375)
Capitalized Overheads	(106,509)	(3,750)
Customer Advances	(341,199)	2,785
Restricted Stock Bonus Plan	(269,726)	(9,496)
FAS 106 - OPRB	(3,764)	(133)
Deferred Compensation	(97,460)	(3,431)
BOD Retirement	(167,389)	(5,893)
Demand Charges	(16,982)	(5,920)
PCB Related Income	14,215	
<u>2820 Account M-1's</u>		
Liberalized Depreciation and Other		
Property Timing Differences	2,368,443	168,716
Contributions in Aid of Construction	(43,854)	(6,077)
<u>2830 Account M-1's</u>		
Purchased Gas Cost Adjustment	3,588,161	181,317
Amortization of Loss on Bond Retirements	(290,006)	(23,210)
FAS 106 - Deferred Expense	(54,531)	
Gas IRP	(53,692)	
Rate Case Expense	142,300	
<u>Permanent M-1's</u>		
Meals & Entertainment	(94,382)	(3,323)
Preferred Stock Expense Amortization	(17,974)	(1,439)
Federal Nonhwy Use Tax Credit	(7,351)	(259)
Total M-1 Deductions	<u>\$3,079,205</u>	<u>\$235,385</u>

**MONTANA-DAKOTA UTILITIES CO.
 GAS UTILITY - EAST RIVER
 INTEREST EXPENSE ANNUALIZATION
 FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2004
 PRO FORMA ADJUSTMENT NO. 23**

	Per Books	Pro Forma Adjustments	Pro Forma
Rate Base 1/	\$7,020,910	(\$439,114)	\$6,581,796
CWIP Not Included In Rate Base	22,926		22,926
	\$7,043,836	(\$439,114)	\$6,604,722
Weighted Cost of Debt 2/			3.561%
Interest Expense - Pro Forma			\$235,194
Interest Expense - Per Books			305,262
Pro Forma Adjustment			(\$70,068)

1/ Rule 20:10:13:96, page 6.

2/ Rule 20:10:13:72, Statement G, page 2.

**MONTANA-DAKOTA UTILITIES CO.
DEFERRED INCOME TAX ON PLANT ADDITIONS
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2004
ADJUSTMENT NO. 24**

Tax Depreciation on Plant Additions	\$22,692
Book Depreciation -Plant Additions 1/	<u>8,130</u>
Tax Deduction	<u><u>\$14,562</u></u>
Deferred Income Taxes on Plant Additions	
- Current	<u><u>\$5,097</u></u>

1/ Includes depreciation on accounts charged to clearing accounts.

**MONTANA-DAKOTA UTILITIES CO.
CALCULATION OF ADJUSTMENT TO
CURRENT INCOME TAXES
GAS UTILITY - EAST RIVER
ADJUSTMENT NO. 25**

	<u>Pro Forma Adjustments</u>
Operating Revenues	
Sales Revenues	\$632,772
Other Revenues	3,868
Total Operating Revenues	<u>636,640</u>
Operating Expenses	
Operation and Maintenance	
Cost of Gas	581,700
Other O&M	106,690
Total O&M	<u>688,390</u>
Depreciation Expense	(89,200)
Taxes other Than Income	4,499
Total Operating Expenses	<u>603,689</u>
Gross Adjustments to Operating Income	32,951
Deductions and Adjustments to Book Income:	
Interest Annualization 1/	(70,068)
Tax Depreciation on Plant Additions 2/	14,562
Total Adjustments to Taxable Income	<u>(55,506)</u>
Taxable Income	88,457
Federal & State Income Taxes @ 35%	<u><u>\$30,960</u></u>

**MONTANA-DAKOTA UTILITIES CO.
ADJUSTMENT TO CURRENT AND DEFERRED INCOME TAXES
FOR ROUNDING AND PRIOR YEAR'S AND CLOSING/FILING
GAS UTILITY - EAST RIVER
ADJUSTMENT NO. 26**

Adjustment to Current Federal Income
Taxes to Eliminate Closing/Filing and
Prior Years Adjustments

\$58,532

Adjustment to Deferred Income Taxes
to Eliminate Closing/Filing

(\$53,206)

**MONTANA DAKOTA UTILITIES, CO.
 GREAT PLAINS NATURAL GAS CO.
 ACCUMULATED DEFERRED INCOME TAXES
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004**

BALANCE AT:	Total Company	Electric	Gas	Other	Non-Utility
<u>Account 190</u>					
January 31, 2004	(22,907,748)	(577,489)	(1,975,623)	(10,152,261)	(10,202,375)
February 29, 2004	(23,981,503)	(605,133)	(3,015,290)	(10,095,936)	(10,265,144)
March 31, 2004	(24,630,226)	(632,772)	(3,627,099)	(10,042,442)	(10,327,913)
April 30, 2004	(24,784,330)	(660,407)	(3,737,764)	(9,995,477)	(10,390,682)
May 31, 2004	(25,601,704)	(688,037)	(4,507,385)	(9,953,250)	(10,453,032)
June 30, 2004	(24,719,654)	(820,230)	(1,733,125)	(9,913,152)	(12,253,147)
July 31, 2004	(23,787,144)	(848,230)	(718,371)	(9,872,495)	(12,348,048)
August 31, 2004	(22,854,657)	(875,906)	284,901	(9,831,598)	(12,432,054)
September 30, 2004	(22,145,411)	(903,575)	1,074,770	(9,790,023)	(12,526,583)
October 31, 2004	(22,000,076)	(931,237)	1,296,187	(9,743,914)	(12,621,112)
November 30, 2004	(22,730,185)	(958,893)	634,654	(9,690,169)	(12,715,777)
December 31, 2004	(26,215,669)	(884,958)	(1,772,296)	(8,814,780)	(14,743,635)
<u>Account 282: (Other Property)</u>					
January 31, 2004	68,610,216	55,591,364	14,059,658	(1,151,406)	110,600
February 29, 2004	68,789,302	55,623,803	14,123,464	(1,068,565)	110,600
March 31, 2004	68,963,924	55,656,242	14,187,270	(990,188)	110,600
April 30, 2004	69,128,247	55,688,681	14,251,076	(922,110)	110,600
May 31, 2004	69,285,096	55,721,120	14,314,882	(861,506)	110,600
June 30, 2004	69,438,587	55,753,559	14,378,688	(804,260)	110,600
July 31, 2004	69,592,960	55,785,998	14,442,494	(746,132)	110,600
August 31, 2004	69,747,712	55,818,437	14,506,300	(687,625)	110,600
September 30, 2004	69,903,534	55,850,876	14,570,106	(628,048)	110,600
October 31, 2004	70,066,507	55,883,315	14,633,912	(561,320)	110,600
November 30, 2004	70,241,525	55,915,754	14,697,718	(482,547)	110,600
December 31, 2004	70,724,790	55,281,694	15,726,980	(460,012)	176,128
<u>Account 283: (Other)</u>					
January 31, 2004	9,623,634	721,556	7,147,088	985,774	769,216
February 29, 2004	9,564,895	709,005	7,133,610	953,064	769,216
March 31, 2004	9,376,318	702,730	6,984,018	920,354	769,216
April 30, 2004	9,206,694	696,455	6,853,379	887,644	769,216
May 31, 2004	9,285,055	690,180	6,970,725	854,934	769,216
June 30, 2004	9,886,813	683,905	7,611,468	822,224	769,216
July 31, 2004	10,275,801	683,488	8,033,583	789,514	769,216
August 31, 2004	10,205,653	677,213	8,002,420	756,804	769,216
September 30, 2004	9,935,545	670,938	7,771,297	724,094	769,216
October 31, 2004	9,615,346	664,663	7,486,443	695,024	769,216
November 30, 2004	11,195,548	658,388	9,101,990	665,954	769,216
December 31, 2004	10,161,427	206,534	8,255,465	1,503,666	195,762
<u>Total Company</u>					
January 31, 2004	55,326,102	55,735,431	19,231,123	(10,317,893)	(9,322,559)
February 29, 2004	54,372,694	55,727,675	18,241,784	(10,211,437)	(9,385,328)
March 31, 2004	53,710,016	55,726,200	17,544,189	(10,112,276)	(9,448,097)
April 30, 2004	53,550,611	55,724,729	17,366,691	(10,029,943)	(9,510,866)
May 31, 2004	52,968,447	55,723,263	16,778,222	(9,959,822)	(9,573,216)
June 30, 2004	54,605,746	55,617,234	20,257,031	(9,895,188)	(11,373,331)
July 31, 2004	56,081,617	55,621,256	21,757,706	(9,829,113)	(11,468,232)
August 31, 2004	57,098,708	55,619,744	22,793,621	(9,762,419)	(11,552,238)
September 30, 2004	57,693,668	55,618,239	23,416,173	(9,693,977)	(11,646,767)
October 31, 2004	57,681,777	55,616,741	23,416,542	(9,610,210)	(11,741,296)
November 30, 2004	58,706,888	55,615,249	24,434,362	(9,506,762)	(11,835,961)
December 31, 2004	54,670,548	54,603,270	22,210,149	(7,771,126)	(14,371,745)

MONTANA-DAKOTA UTILITIES CO.
DEFERRED INCOME TAXES
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

	Total Utility	East River
<u>Gas Utility - Rate Base Deductions:</u>		
Depreciation, Retirements and Other Timing		
Differences Required to be Normalized	\$703,354	\$59,050
Contributions In Aid of Construction	(15,733)	(2,127)
Montana Net Negative Salvage		
Customer Advances	(131,335)	975
Acquisition Adjustments	(1,094)	
Total Rate Base Deductions	555,192	57,898
 <u>Gas Utility - Current Timing Differences:</u>		
Management Incentive Compensation	(105,260)	(3,343)
Pension Expense	(438,802)	(13,936)
Sundry Reserves	(4,157)	(300)
Property Insurance Adjustment	(3,950)	(219)
Bad Debt Expense	8,535	(447)
Accrued Vacation	(26,171)	(831)
Capitalized Overheads	(40,635)	(1,313)
Restricted Stock Bonus Plan	(104,654)	(3,324)
FAS 106	(22,222)	(46)
Deferred Compensation	(41,081)	(1,201)
BOD Retirement	(64,947)	(2,063)
Demand Charges	(6,380)	(2,072)
PCB Related Income	5,415	
Unrecovered Purchased Gas Cost	1,340,136	63,461
Amort of Loss on Bond Retirements	(112,522)	(8,124)
Gas IRP	(21,181)	
Rate Case Expense	51,706	
Closing/Filing and Out of Period	30,112	53,206
Total Current Timing Differences	443,942	79,448
Total Deferred Income Taxes	\$999,134	\$137,346

MONTANA-DAKOTA UTILITIES CO.
ANALYSIS OF ACCUMULATED DEFERRED INCOME TAXES
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

	Total Company		East River		Average Balance
	Balance 12/31/03	Balance 12/31/04	Balance 12/31/03	Balance 12/31/04	
<u>Gas Utility - Rate Base Deductions:</u>					
Depreciation, Retirements and Other Timing					
Differences Required to be Normalized	\$10,308,699	\$12,098,725	\$643,451	\$816,449	\$729,950
Contributions In Aid of Construction	(300,282)	(320,933)	(8,581)	(14,468)	(11,525)
Full Normalization	122,555	(93,326)	0	0	0
Customer Advances for Construction	(218,132)	(358,516)	(6,162)	(5,429)	(5,795)
Other	410,444	372,066	0	0	0
Acquisition Adjustment	(11,577)	(12,671)	0	0	0
Total	<u>\$10,311,707</u>	<u>\$11,685,345</u>	<u>\$628,708</u>	<u>\$796,552</u>	<u>\$712,630</u>

Gas Utility - Current Timing Differences:

Management Incentive Compensation	(\$185,947)	(\$374,058)
Pension Expense	1,561,443	1,225,320
Uncollectable Accounts	(53,306)	(68,018)
Unbilled Revenues	172,888	0
Workers Comp	14,146	0
Capitalized Overheads	(712,827)	(752,975)
Restricted Stock Bonus Plan	(342,321)	(373,616)
Contingency Reserve	(1,907,371)	(1,903,431)
Delivered/Unbilled Revenue	623,187	0
BOD Retirement	(242,677)	(311,551)
ND Margin Sharing	14,738	0
FAS 106	345,636	194,231
Demand Charges	1,481,285	1,155,857
PCB Related Income	86,343	59,036
Rate Case Expense	143,352	202,785
Unrecovered Purchased Gas Cost	5,698,964	7,610,244
Environmental Tax	4,386	0
Gas IRP	28,402	7,207
Total	<u>\$6,730,321</u>	<u>\$6,671,031</u>
 Total Gas Utility	 <u>\$17,042,028</u>	 <u>\$18,356,376</u>

**MONTANA-DAKOTA UTILITIES CO.
ANALYSIS OF UNAMORTIZED INVESTMENT TAX CREDITS
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004**

	<u>Total Company</u>	<u>East River</u>
<u>Balance @</u> December 31, 2003	\$413,147	\$4,175
December 31, 2004	<u>328,418</u>	<u>1,938</u>
Average Balance	<u>\$370,783</u>	<u>\$3,057</u>

**MONTANA-DAKOTA UTILITIES CO.
ACCUMULATED DEFERRED INCOME TAXES
ACCUMULATED INVESTMENT TAX CREDITS
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2004
ADJUSTMENT E AND ADJUSTMENT F**

	<u>Balance @ 12/31/03</u>	<u>Balance @ 12/31/04</u>	<u>Average Balance @ 12/31/04</u>	<u>Adjustments</u>	<u>Pro Forma Balance @ 12/31/05</u>	<u>Average Balance</u>	<u>Pro Forma Adjustment</u>
<u>Accumulated Deferred Income Taxes</u>							
Liberalized Depreciation	\$643,451	\$816,449	\$729,950	\$5,097 1/	\$821,546	\$818,998	\$89,048
Contributions In Aid of Construction	(8,581)	(14,468)	(11,525)		(14,468)	(14,468)	(2,943)
Customer Advances	(6,162)	(5,429)	(5,796)		(5,429)	(5,429)	367
Balance	<u>\$628,708</u>	<u>\$796,552</u>	<u>\$712,629</u>	<u>\$5,097</u>	<u>\$801,649</u>	<u>\$799,101</u>	<u>\$86,472</u>
<u>Accumulated Investment Tax Credits</u>							
Balance	<u>\$4,175</u>	<u>\$1,938</u>	<u>\$3,057</u>	<u>\$1,938</u>	<u>\$0</u>	<u>\$969</u>	<u>(\$2,088)</u>

1/ Includes deferred taxes on plant additions

MDU RESOURCES GROUP, INC.
RECONCILIATION OF NET INCOME PER BOOKS WITH TAXABLE
INCOME PER FEDERAL INCOME TAX RETURN
FOR TAX YEARS 2000-2003

M-1

Line No.

	2003	2002	2001	2000
1 Net Income per Books	\$175,324,972	\$148,443,959	\$155,848,506	\$111,028,299
2 Federal Income Tax	9,888,062	6,299,950	10,359,280	11,415,372
3 Excess of Capital Losses Over Capital Gains	0	264	0	0
4 Income Subject to Tax not Recorded on Books This Year:				
Other				
Dividends Received from Subsidiary Companies	56,273,000	51,045,000	39,709,000	34,649,500
G/L on Intercompany Trans. Under Reg Sec 1.1502-	32,894	205,128		
Jt Venture & Partnership Ordinary Income	121,699	77,132	99,639	100,999
Contributions in Aid of Construction	419,296	720,397	268,101	287,951
Customer Advances			330,767	(31,713)
Federal Non-highway Use Tax Credit	21,691	18,904	18,761	19,658
Gain on Retirement of Assets - Tax	(494,016)	75,023	887,626	(371,684)
Total	<u>56,374,564</u>	<u>52,141,584</u>	<u>41,313,894</u>	<u>34,654,711</u>
5 Expenses Recorded on Books This Year not Deducted on This Return:				
Depreciation	27,442,591	26,720,353	26,361,318	25,400,418
Meals & Entertainment	244,577	220,435	226,971	210,693
Other				
Increase in Capitalized Overheads	488,372		805,471	34,186
Increase in Capitalized Overheads - Stores	69,320	65,859	64,697	65,030
Demand Charges	0	383,847	8,194	251,462
Unrecovered Purchased Gas Costs	0		21,010,649	4,116,950
Bad Debt Expense per Books	992,995	573,825	1,593,836	1,081,029
Increase in Capitalized Overheads - Non-operating	66,530	19,108	62,678	52,469
Supplemental Income Security Plan	1,136,858	1,796,484	83,247	1,542,306
Capitalized Property Taxes	437,176	266,147	70,406	117,138
State Income Tax Accrual per Books	1,795,753	1,875,420	1,217,822	2,177,260
Post Retirement Benefits Accrued	4,658	1,142	1,923,299	
Increase in Sundry Reserves	0			54,439
Capitalized Interest Expense	837,245	353,768	337,186	169,399
Amortization per Books	2,801,327	2,767,104	2,473,984	2,121,959
Accrued Vacation Pay	85,955	82,072		381,575
Amortization of Loss on Bond Retirements	1,108,743	1,201,783	1,295,507	1,388,692
Book Depreciation Charged to Expense	1,319,835	1,148,792	1,082,985	1,008,364
Capitalized Tax Depreciation	1,174,686	715,179	623,116	571,179
Lobbying Expense	83,185	70,864	114,117	72,226
Deferred Compensation for Directors	602,400	97,778	125,828	200,915
Deferred Compensation - Net Deferral	458,398	296,667	463,790	
Penalties	4,415		6,086	120
General Operating Expenses	89,311			
Property Insurance Adjustment	0	112,551	107,240	271,011
Reusable Property to Expense	2,597	3,402	2,584	2,586
Integrated Resource Plan	88,708	88,708	88,708	88,708
Workers Compensation	0			
Restricted Stock Bonus Plan	625,095	571,998	827,981	502,014
Provision for Gas Refunds	0	67,067		
Reserve for Natural Gas Minimum Bill Obligation	0	5,342,863		
Reserve for Corporation Loan	0	176,000		
Total Other	<u>14,273,562</u>	<u>18,078,428</u>	<u>34,389,411</u>	<u>16,271,017</u>
6 Total of Lines 1 Through 5	\$283,548,328	\$251,904,973	\$268,499,380	\$198,980,510

MDU RESOURCES GROUP, INC.
RECONCILIATION OF NET INCOME PER BOOKS WITH TAXABLE
INCOME PER FEDERAL INCOME TAX RETURN
FOR TAX YEARS 2000-2003

M-1

ne No.

	2003	2002	2001	2000
7 Income Recorded on Books This Year not Included on This Return:				
Other				
Book Gain on Disposition of Property	44,375	348,912	2,311	2,164
G/L on Interco. Trans. under reg sec 1.1502-13			884,358	
Joint venture & partnership operating income	0	20,456	20,000	
Equity in Earnings of Subsidiary Companies	153,788,920	128,320,376	135,692,353	87,788,729
Allowance for Funds Used During Construction	249,230	101,231	185,066	157,410
	<u>154,082,525</u>	<u>128,790,975</u>	<u>136,784,088</u>	<u>87,948,303</u>
8 Deductions on This Return not Charged Against Book Income This Year:				
Depreciation	39,145,502	29,160,076	22,657,193	23,839,600
Contributions Carryover			4,537,084	6,639,606
Other				
Pension Expense per Return	1,116,720	3,421,343	3,965,568	3,849,479
Demand Charges	345,925			
Post Retirement Benefits	0	797,522	1,894,963	510,702
Bad Debt Expense per Return	914,615	666,420	1,814,870	764,866
Decrease in Sundry Reserves	3,152	31,614	67,119	
Deferred Compensation	0			246,937
Unrecovered Purchased Gas Cost	11,450,836	25,954,577		
Property Insurance Adjustment	398,288			
Environmental Costs	11,720	14,754	19,586	569,234
KESOP Incentive Compensation	3,462,839	361,912	4,379,752	1,439,653
State Income Tax Accrual per Return	1,211,520	413,325	3,062,638	1,729,801
General Operating Expenses	1,235,384			
Reserve for deferred maintenance			46,599	
Vacation accrual			324,210	
Workers compensation			181,167	
1991 Interest Expense				10,124
Expenses for the Retirement of Assets	576,010	410,093	344,330	355,479
Restricted Stock Bonus Plan - Dividends	743,746	807,134	468,699	134,133
Decrease in Capitalized Overheads	0	622,788		
Customer Advances	0	169,810		
Unamortized Regulatory Commission Expense	0	544,543		
Charitable Deduction	0	150		
Acquisition Costs	0	430,997		
	<u>21,470,755</u>	<u>34,646,982</u>	<u>16,569,501</u>	<u>9,610,408</u>
9 Add Lines 7 and 8	<u>214,698,782</u>	<u>192,598,033</u>	<u>180,547,866</u>	<u>128,037,917</u>
10 Income (Form 1120, Page 1, Line 28) - Line 6 less Line 9	68,849,546	59,306,940	87,951,514	70,942,593
Less: Special Deductions	<u>56,453,002</u>	<u>51,225,002</u>	<u>39,889,003</u>	<u>35,027,503</u>
Taxable Income (Form 1120, Page 1, Line 30)	<u>\$12,396,544</u>	<u>\$8,081,938</u>	<u>\$48,062,511</u>	<u>\$35,915,090</u>

MONTANA-DAKOTA UTILITIES CO.
DIFFERENCE IN BOOK AND TAX DEPRECIATION - GAS UTILITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

Tax Depreciation

CIAC's - MACRS	(\$110,608)
Depreciation	12,126,187
Capitalized Interest Expense	(63,383)
Capitalized Tax Depreciation	(588,220)
Capitalized Inventory on Stores Inventory	(13,076)
Capitalized Property Taxes	(67,480)
Expenses for the Retirement of Assets	240,345
Retirement of Assets	<u>(52,863)</u>
Total Gas	<u>\$11,470,902</u>

Book Depreciation

Depreciation Expense	\$8,677,659
Amortization Expense	597,196
Allowance For Funds Used During Construction	<u>(81,015)</u>
Total Book Depreciation	<u>\$9,193,840</u>
Book over Tax Depreciation	<u>(\$2,277,062)</u>

MONTANA - DAKOTA UTILITIES CO.
NET TAXABLE INCOME (LOSS) FOR EACH COMPANY
INCLUDED IN MDU RESOURCES GROUP, INC.'S 2003
CONSOLIDATED FEDERAL INCOME TAX RETURN

Company	Taxable Income(Loss)	Excess Tax Depreciation	Taxable Income (Loss) after Elimination	System Tax Liability
Montana - Dakota Utilities Co.	\$12,396,544	\$6,407,063	\$18,803,607	\$4,332,613
Centennial Energy Holdings, Inc.	0	0	0	0
Centennial Holdings Capital Corp.	(206,056)	0	(206,056)	(72,120)
Centennial Power Inc.	(7,255,313)	14,368,502	7,113,189	(5,934,716)
Rocky Mountain Power, Inc.	(4,228,038)	0	(4,228,038)	(1,522,141)
Futuresource Capital Corp.	(1,431,846)	2,409,202	977,356	(501,146)
Intersource Insurance Company	28,028	0	28,028	9,810
Centennial Energy Resources International, Inc.	1,224,068	0	1,224,068	428,424
Utility Services, Inc.	(2,479,735)	238,560	(2,241,175)	(867,907)
International Line Builders, Inc.	3,920,323	(327,739)	3,592,584	1,372,113
ILB Hawaii, Inc.	(1,844)	0	(1,844)	(645)
Loy Clark Pipeline Co.	655,639	(315,394)	340,245	229,474
Rocky Mountain Contractors, Inc.	1,377,476	(314,694)	1,062,782	482,117
Hamlin Electric Company	984,746	205,120	1,189,866	344,661
Harp Engineering, Inc	(210,180)	2,351	(207,829)	(73,563)
Pouk & Steinle, Inc.	1,111,403	267,682	1,379,085	388,991
The Wagner-Smith Company	715,382	244,236	959,618	250,384
Wagner-Smith Equipment Co.	1,582,899	2,161,292	3,744,191	554,015
Wagner-Smith Pumps & Systems, Inc.	(22,417)	0	(22,417)	(7,846)
Frebco, Inc.	(292,581)	(659)	(293,240)	(102,403)
Newco, Inc.	161,799	1,248	163,047	56,630
E.S.I. Inc.	471,152	4,507	475,659	164,903
Bell Electric Contractors, Inc.	(775,200)	45,814	(729,386)	(271,320)
Capital Electric Construction Company	1,886,212	(41,542)	1,844,670	660,174
Capital Electric Line Builders	1,632,268	(156,335)	1,475,933	571,294
Oregon Electric Construction, Inc.	(2,511,547)	59,701	(2,451,846)	(879,041)
WBI Holdings, Inc.	0	0	0	0
Fidelity E & P Company	32,805,429	(4,331)	32,801,098	11,473,002
Seven Brothers Ranches, Inc.	(81,171)	97,248	16,077	(28,410)
Fidelity Oil Company	32,005,134	(3,980,927)	28,024,207	11,201,797
WBI Pipeline & Storage Group, Inc.	(59,963)	0	(59,963)	(20,987)
Williston Baisn Internstate Pipeline Co.	(10,071,253)	33,485,218	23,413,965	(3,524,939)
Bitter Creek Pipeline, LLC	(14,375,805)	17,023,849	2,648,044	(5,031,532)
WBI Energy Services, Inc.	0	0	0	0
Prairielands Energy Marketing, Inc.	(480,040)	(14,372)	(494,412)	(168,014)
Innovatum, Inc.	(2,316,482)	30,767	(2,285,715)	(811,448)
Innovative Gas Services Inc.	(92,746)	0	(92,746)	(32,461)
Marcon Energy Corp.	120	0	120	42
Knife River Corporation	(4,259,312)	3,052,904	(1,206,408)	(1,490,759)
KRC Holdings, Inc.	(37,920,647)	10,195	(37,910,452)	(13,272,226)
KRC Aggregates, Inc.	1,734,897	(53,592)	1,681,305	607,214
Concrete, Inc.	3,400,081	910,937	4,311,018	1,190,028
DSS Company	7,605,285	2,112,354	9,717,639	2,661,850
LTM, Incorporated	6,165,046	622,161	6,787,207	2,157,766
Rogue Aggregates, Inc.	1,593,206	241,198	1,834,404	557,622
Medford Ready Mix, Inc.	769,169	103,108	872,277	269,209
Alaska Basic Industries, Inc.	0	0	0	0
Anchorage Sand & Gravel Company, Inc.	7,490,638	25,665	7,516,303	2,621,723

**MONTANA - DAKOTA UTILITIES CO.
NET TAXABLE INCOME (LOSS) FOR EACH COMPANY
INCLUDED IN MDU RESOURCES GROUP, INC.'S 2003
CONSOLIDATED FEDERAL INCOME TAX RETURN**

Docket No. _____
Rule 20:10:13:91
Statement K
Schedule K-3
Page 2 of 2

Company	Taxable Income(Loss)	Excess Tax Depreciation	Taxable Income (Loss) after Elimination	System Tax Liability
Baldwin Contracting Company, Inc.	601,191	541,777	1,142,968	210,417
Knife River Dakota, Inc.	7,624,146	0	7,624,146	2,668,451
Knife River Hawaii, Inc.	7,689,824	0	7,689,824	2,691,438
Knife River Marine, Inc.	195,392	13,140	208,532	68,387
Morse Brothers, Inc.	(2,314,969)	4,436,618	2,121,649	(810,239)
Hap Taylor & Sons, Inc.	6,846,833	868,176	7,715,009	2,396,392
JTL Group, Inc. - Montana	13,817,027	(250,625)	13,566,402	4,835,959
JTL Group, Inc. - Wyoming	476,919	(417,079)	59,840	166,922
Connolly-Pacific Co.	11,217,378	(1,384,229)	9,833,149	3,926,082
WHC, Ltd.	1,880,432	1,736,522	3,616,954	658,151
Bauerly Brothers, Inc.	13,066,410	686,199	13,752,609	4,573,244
Buffalo Bituminous, Inc.	2,370,501	420,615	2,791,116	829,675
Granite City Concrete of Watkins, Inc	2,635,876	(186,884)	2,448,992	922,557
Granite City Ready Mix, Inc.	1,091,711	150,103	1,241,814	382,099
Northstar Materials, Inc.	711,728	72,468	784,196	249,105
Brazos Motor Transport, Inc.	156,636	(69,663)	86,973	54,823
Young Brothers, Inc. Contractors	30,878	(41,743)	(10,865)	10,807
Young Contractors, Inc.	1,719,498	82,233	1,801,731	601,824
Young Materials Corp.	1,389,239	108,050	1,497,289	486,234
MDU Resources Group, Inc. and Includible Subsidiaries	<u>\$103,851,418</u>	<u>\$85,686,975</u>	<u>\$189,538,393</u>	<u>\$32,894,560</u>

**MONTANA-DAKOTA UTILITIES CO.
ALLOWANCE FOR CURRENT TAX IN EXCESS OF TAX
CALCULATED AT CONSOLIDATED TAX RATE
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2004**

This schedule is not applicable since the current tax in the cost of service is not greater than the calculated income tax.

**MONTANA-DAKOTA UTILITIES CO.
ALLOWANCE FOR CURRENT STATE INCOME TAXES
CALCULATED AT CONSOLIDATED TAX RATE
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2004**

This schedule is not applicable since Montana-Dakota Utilities Co. is not claiming an allowance for state income taxes in the cost of service.