

ANNUAL REPORT

STATE OF NORTH DAKOTA

GREAT PLAINS NATURAL GAS CO.

FOR THE YEAR ENDED DECEMBER 31, 2007



A Division of MDU Resources Group, Inc.

In the Community to Serve®

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- II. Capital Structure
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**GREAT PLAINS NATURAL GAS CO.
ANNUAL REPORT TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2007 North Dakota	ND % (B / A)	2006 North Dakota	Variance (B-D / D)
<u>Operating Revenues:</u>						
1	Residential	\$17,410,202	\$1,497,375	8.60%	\$1,485,533	0.80%
2	Firm General	10,954,064	1,407,144	12.85%	1,324,592	6.23%
3	Small Interruptible	6,528,476	1,190,114	18.23%	1,474,802	-19.30%
4	Large Interruptible	7,084,572				
5	Transportation	368,641	135,938	36.88%	138,149	-1.60%
6	Other Operating Revenues	173,040	11,168	6.45%	19,286	-42.09%
7	Reserve for Refunds	(98,756)				
8	Unbilled Revenue	1,068,684	17,647	1.65%	(139,598)	-112.64%
9	Total Operating Revenues	\$43,488,923	\$4,259,386	9.79%	\$4,302,764	-1.01%
<u>Operating Expenses:</u>						
10	Cost of Purchased Gas	\$35,441,722	\$3,559,585	10.04%	\$3,569,622	-0.28%
11	Production Expense	61,435	4,219	6.87%	3,906	8.01%
12	Transmission Expense	52,107	12,664	24.30%	5,495	130.46%
13	Distribution Expense	1,699,686	169,226	9.96%	237,343	-28.70%
14	Customer Accounts Expense	1,051,623	82,895	7.88%	163,343	-49.25%
15	Customer Service & Info. Exp.	58,965	6,040	10.24%	3,083	95.91%
16	Sales Expense	73,732	9,656	13.10%	14,145	-31.74%
17	Administration & General Exp.	2,648,910	229,317	8.66%	227,270	0.90%
18	Depreciation Expense	1,354,953	113,960	8.41%	305,681	-62.72%
19	Taxes Other than Income	538,969	38,977	7.23%	37,416	4.17%
20	Total Operating Expenses	\$42,982,102	\$4,226,539	9.83%	\$4,567,304	-7.46%
21	Net Operating Income					
22	Before Income Taxes	\$506,821	\$32,847	6.48%	(\$264,540)	-112.42%
<u>Income Tax Expense:</u>						
23	Investment Tax Credits					
24	Deferred Income Taxes	\$218,254	(\$95,361)	-43.69%	\$44,560	-314.01%
25	Income Taxes	(323,790)	90,247	-27.87%	(162,874)	-155.41%
26	Total Income Tax Expense	(\$105,536)	(\$5,114)	4.85%	(\$118,314)	-95.68%
27	Net Regulated Earnings	\$612,357	\$37,961	6.20%	(\$146,226)	-125.96%

**GREAT PLAINS NATURAL GAS CO.
ANNUAL REPORT TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2007 North Dakota	ND % (B / A)	2006 North Dakota	Variance (B-D / D)
	Rate Base:					
1	Plant in Service	\$36,791,419	\$3,534,990	9.61%	\$4,111,103	-14.01%
2	Less: Accumulated Depreciation	22,040,032	2,906,938	13.19%	3,329,453	-12.69%
3	Add: Construct. Work in Prog. 1/	148,158	817	0.55%	27,203	-97.00%
4	Net Plant in Service	<u>\$14,899,545</u>	<u>\$628,869</u>	<u>4.22%</u>	<u>\$808,853</u>	<u>-22.25%</u>
	Additions: 2/					
5	Materials and Supplies	\$189,708	\$19,857	10.47%	\$18,355	8.18%
6	Prepayments	80,742	7,319	9.06%	7,928	-7.68%
7	Gas in Underground Storage	770,749				
8	Fuel Stocks	69,389				
9	Total Additions	<u>\$1,110,588</u>	<u>\$27,176</u>	<u>2.45%</u>	<u>\$26,283</u>	<u>3.40%</u>
	Deductions:					
10	Accum. Deferred Income Taxes	\$3,350,322	\$207,951	6.21%	\$301,334	-30.99%
11	Accumulated Deferred ITC's					
12	Cust. Advances for Construct.					
13	Total Deductions	<u>\$3,350,322</u>	<u>\$207,951</u>	<u>6.21%</u>	<u>\$301,334</u>	<u>-30.99%</u>
14	Average Rate Base	<u>\$12,659,811</u>	<u>\$448,094</u>	<u>3.54%</u>	<u>\$533,802</u>	<u>-16.06%</u>
15	Rate of Return on Avg. Rate Base	4.837%	8.472%		-27.393%	
16	Less: Weighted Cost of Debt	3.074%	3.074%		3.493%	
17	Weighted Cost of Pref. Stock	<u>0.181%</u>	<u>0.181%</u>		<u>0.167%</u>	
18	Weighted Return on Equity	1.582%	5.217%		-31.053%	
19	% of Equity to Capital Structure	<u>53.554%</u>	<u>53.554%</u>		<u>48.271%</u>	
20	Return on Equity	<u>2.954%</u>	<u>9.742%</u>		<u>-64.331%</u>	

1/ Completed construction at December 31, 2007 not yet classified.

2/ Thirteen month average.

GREAT PLAINS NATURAL GAS CO.
ANNUAL REPORT
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

	(A)	(B)	(C)	(D)	
Line #	2007 Average (000's)	Ratio	Cost	Weighted Cost	
1	Long-Term Debt	\$153,750	38.210%	7.311%	2.794%
2	Short Term Debt 1/	17,289	4.297%	6.512%	0.280%
3	Preferred Equity	15,850	3.939%	4.605%	0.181%
4	Common Equity	215,490	53.554%	2/	2/
5	Total	<u>\$402,379</u>	<u>100.000%</u>		<u>2/</u>

1/ Reflects monthly average short term debt.

2/ Return on equity is calculated in Section I, page 2 of 2.

II. CAPITAL STRUCTURE - TOTAL UTILITY

GREAT PLAINS NATURAL GAS CO.
LONG-TERM DEBT CAPITAL
DECEMBER 31, 2007

Description	Date of Issuance	Date of Maturity	Interest Rate	Principal Amount of Issue	Gross Proceeds	Underwriters' Commission		Loss on Reacquirement Redemption and Issuance Expense	
						Amount	% Gross Proceeds	Amount	% Gross Proceeds
First Mortgage Bonds:									
Secured Medium-term Notes, Series A:									
8.6%	04/01/92	04/01/12	8.600%	\$35,000,000	\$34,911,100	\$306,250	0.877%	\$5,698,318	16.322%
6.71%	09/30/97	10/01/09	6.710%	15,000,000	15,000,000	93,750	0.625%	1,417,846	9.452%
5.83%	09/18/98	10/01/08	5.830%	15,000,000	15,000,000	93,750	0.625%	92,336	0.616%
5.98% - Senior Note	12/15/03	12/15/33	5.980%	30,000,000	30,000,000	262,500	0.875%	280,668	0.936%
6.33% - Senior Note	08/24/06	08/24/26	6.330%	100,000,000	100,000,000	344,061	0.344%	10,532,009	10.532%
				<u>\$195,000,000</u>	<u>\$194,911,100</u>	<u>\$1,100,311</u>		<u>\$18,021,177</u>	
Description	Net Proceeds		Cost of Money 1/	Principal Outstanding	Annual Cost	Embedded Cost			
	Amount	Per Unit					Amount	%	Cost
First Mortgage Bonds:									
Secured Medium-term Notes, Series A:									
8.6%	\$28,906,532	82.590%	11.020%	\$4,500,000	\$495,900				
6.71%	13,488,404	89.923%	8.195%	1,000,000	81,950				
5.83%	14,813,914	98.759%	6.086%	15,000,000	912,900				
5.98% - Senior Note	29,456,832	98.189%	6.205%	30,000,000	1,861,500				
6.33% - Senior Note	89,123,930	89.124%	7.514%	100,000,000	7,514,000				
Total Long-Term Debt Capital	<u>\$175,789,612</u>			<u>\$150,500,000</u>	<u>\$10,866,250</u>		<u>7.220%</u>		

1/ Yield to maturity based upon the life, net proceeds, semiannual compounding of stated interest rate, and amortization of indenture revision costs.

GREAT PLAINS NATURAL GAS CO.
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Line #	Description	2007	2006	2005	2004	2003
<u>Customer Related</u>						
1	Year End Customers - Residential	1,694	1,686	1,692	1,673	1,678
2	- Firm General	345	344	346	345	335
3	- Small Interruptible	15	16	16	17	17
4	- Large Interruptible	0	0	0	0	0
5	- Other - Transportation 1/	9	9	9	9	9
6	- Total	<u>2,063</u>	<u>2,055</u>	<u>2,063</u>	<u>2,044</u>	<u>2,039</u>
7	Dk Throughput - Residential	137,944	131,597	145,357	144,644	162,821
8	- Firm General	136,770	125,578	116,049	131,833	136,285
9	- Small Interruptible	171,385	210,969	202,953	187,915	262,068
10	- Large Interruptible	0	0	0	0	0
11	- Other - Transportation	<u>1,342,312</u>	<u>1,386,775</u>	<u>1,345,259</u>	<u>1,272,838</u>	<u>1,375,478</u>
12	- Total	<u>1,788,411</u>	<u>1,854,919</u>	<u>1,809,618</u>	<u>1,737,230</u>	<u>1,936,652</u>

1/ May include duplication of customers also receiving sales service.

NORTH DAKOTA COST OF SERVICE STUDY

GREAT PLAINS GAS OPERATIONS

2007

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2007**

	Total Company	North Dakota	Other
<u>Operating Revenues</u>			
Sales Revenues			
Residential	\$17,410,202	\$1,497,375	\$15,912,827
Firm General	10,954,064	1,407,144	9,546,920
Small Interruptible	6,528,476	1,190,114	5,338,362
Large Interruptible	7,084,572		7,084,572
Reserve for Refunds	(98,756)		(98,756)
Unbilled Revenue	1,068,684	17,647	1,051,037
Total Sales Revenues	<u>\$42,947,242</u>	<u>\$4,112,280</u>	<u>\$38,834,962</u>
Transportation Revenues	368,641	135,938	232,703
Total Transportation Revenues	<u>\$368,641</u>	<u>\$135,938</u>	<u>232,703</u>
Other Operating Revenues	173,040	11,168	161,872
Total Operating Revenues	<u>\$43,488,923</u>	<u>\$4,259,386</u>	<u>\$39,229,537</u>
<u>Operating Expenses</u>			
Operation and Maintenance			
Cost of Purchased Gas	\$35,441,722	\$3,559,585	\$31,882,137
Production	61,435	4,219	57,216
Transmission	52,107	12,664	39,443
Distribution	1,699,686	169,226	1,530,460
Customer Accounts	1,051,623	82,895	968,728
Customer Service & Information	58,965	6,040	52,925
Sales	73,732	9,656	64,076
Administrative & General	2,648,910	229,317	2,419,593
Total O&M Expenses	<u>\$41,088,180</u>	<u>\$4,073,602</u>	<u>\$37,014,578</u>
Depreciation			
Production	\$17,754	\$322	\$17,432
Transmission	70,254	16,908	53,346
Distribution	804,905	68,320	736,585
General	143,488	7,347	136,141
Common	72,747	9,527	63,220
Amort. of Intangible Plant - General	58,005	5,386	52,619
Amort. of Intangible Plant - Common	47,016	6,150	40,866
Amort. of Acquisition Adjustment	140,783	0	140,783
Total Depreciation Expense	<u>\$1,354,952</u>	<u>\$113,960</u>	<u>\$1,240,992</u>

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2007**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Other</u>
<u>Operating Expenses Con't.</u>			
Taxes Other Than Income Taxes			
Ad Valorem Taxes			
Production	\$23,246	\$517	22,729
Transmission	10,318	2,896	7,422
Distribution	273,635	13,355	260,280
General	12,600	790	11,810
Common	13,464	1,761	11,703
Intangible	54	54	0
Total Ad Valorem Taxes	<u>\$333,317</u>	<u>\$19,373</u>	<u>\$313,944</u>
Other Taxes	205,652	19,604	186,048
Total Taxes Other Than Income Taxes	<u>\$538,969</u>	<u>\$38,977</u>	<u>\$499,992</u>
Current Income Taxes	(323,790)	90,247	(414,037)
Deferred Income Taxes	218,254	(95,361)	313,615
Total Operating Expenses	<u>\$42,876,565</u>	<u>\$4,221,425</u>	<u>\$38,655,140</u>
Operating Income	<u>\$612,358</u>	<u>\$37,961</u>	<u>\$574,397</u>
Year End Rate Base	<u>\$10,517,955</u>	<u>\$475,810</u>	<u>\$10,042,145</u>
Rate of Return	<u>5.82%</u>	<u>7.98%</u>	<u>5.72%</u>

**GREAT PLAINS NATURAL GAS CO.
YEAR END RATE BASE
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2007**

	Total Company	North Dakota	Other
<u>Plant in Service</u>			
Gas Plant in Service			
Production	\$1,178,847	\$26,440	\$1,152,407
Transmission	1,654,948	397,598	1,257,350
Distribution	21,849,132	2,085,585	19,763,547
General	3,749,673	155,348	3,594,325
Intangible Plant - General	631,225	59,460	571,765
Common	908,876	118,894	789,982
Intangible Plant - Common	838,093	109,635	728,458
Total Gas Plant in Service	<u>\$30,810,794</u>	<u>\$2,952,960</u>	<u>\$27,857,834</u>
Accumulated Reserve for Depreciation			
Production	\$1,020,323	\$18,503	\$1,001,820
Transmission	1,654,791	401,313	1,253,478
Distribution	14,922,443	1,685,354	13,237,089
General	2,152,352	93,941	2,058,411
Intangible Plant - General	435,371	41,274	394,097
Common	377,859	49,440	328,419
Intangible Plant - Common	473,219	61,904	411,315
Total Accum. Reserve for Depreciation	<u>\$21,036,358</u>	<u>\$2,351,729</u>	<u>\$18,684,629</u>
Net Gas Plant in Service	\$9,774,436	\$601,231	\$9,173,205
CWIP in Service Pending Reclass.	148,158	817	147,341
Total Gas Plant in Service	<u>\$9,922,594</u>	<u>\$602,048</u>	<u>\$9,320,546</u>
<u>Additions</u>			
Materials and Supplies	\$192,715	\$21,828	\$170,887
Fuel Stocks	68,298		68,298
Prepayments	49,812	1,047	48,765
Gas in Underground Storage	1,274,133		1,274,133
Total Additions	<u>\$1,584,958</u>	<u>\$22,875</u>	<u>\$1,562,083</u>
Total Before Deductions	\$11,507,552	\$624,923	\$10,882,629
<u>Deductions</u>			
Accumulated Deferred Income Taxes	\$989,597	\$149,113	\$840,484
Accumulated Investment Tax Credits			
Customer Advances			
Total Deductions	<u>\$989,597</u>	<u>\$149,113</u>	<u>\$840,484</u>
Year End Rate Base	<u><u>\$10,517,955</u></u>	<u><u>\$475,810</u></u>	<u><u>\$10,042,145</u></u>

**REPORT OF INDEPENDENT
PUBLIC ACCOUNTANTS**

2007



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INDEPENDENT AUDITORS' REPORT

To the Managing Committee of
Great Plains Natural Gas Co.:

We have audited the accompanying schedule of Cost of Gas ("COG") computed as set forth in Chapter 69-09-01-30 of the North Dakota Administrative Code (the "Code"), and included in the monthly filings of Great Plains Natural Gas Co. (the "Company") for the year ended December 31, 2007. The calculations of the COG are the responsibility of the Company's management. Our responsibility is to express an opinion on the calculations of the COG based on our audit.

We conducted our audit in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the calculations are free of material misstatement. An audit includes consideration of internal control over the calculations as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over the calculations. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts in the calculations, assessing the accounting principles used by management (including compliance with the financial procedural aspects of the automatic adjustment clause calculations of the North Dakota Public Service Commission (the "Commission") for the COG as set forth in Chapter 69-09-01-30 of the Code) and significant estimates made by management, as well as evaluating the overall presentation of the calculations in conformity with the Cost of Gas Tariffs approved by the Commission and the Federal Energy Regulatory Commission (FERC) uniform system of accounts prescribed by the Commission. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with the Commission's approved Cost of Gas Tariffs and the uniform system of accounts prescribed by FERC and is not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, such schedule presents fairly, in all material respects, the results of the monthly COG calculations for the year ended December 31, 2007, in accordance with the Cost of Gas Tariffs approved by the Commission and in conformity with the uniform system of accounts prescribed by FERC.

This report is intended solely for the information and use of the Managing Committee of the Company and the North Dakota Public Service Commission and should not be used for any other purposes.

Deloitte & Touche LLP

April 8, 2008

GREAT PLAINS NATURAL GAS CO.

SCHEDULE OF 2007 MONTHLY AUTOMATIC ADJUSTMENT CLAUSE CALCULATIONS FOR THE COST OF GAS

Effective for the Month of:	Firm	Interruptible
January	\$ 2.9035	\$ (0.0493)
February	3.9154	1.0182
March	4.1944	1.2521
April	3.7511	0.8117
May	4.0289	1.0848
June	4.4612	1.9040
July	3.6065	0.9938
August	2.7394	0.0835
September	2.7000	0.0329
October	3.3375	0.6195
November	4.3972	1.6795
December	5.0950	2.2890