

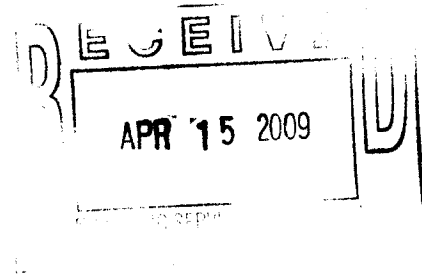


A Division of MDU Resources Group, Inc.

705 West Fir Ave.
PO Box 176
Fergus Falls, MN 56538-0176
(218) 736-6935

April 15, 2009

Executive Secretary
North Dakota Public Service
Commission
State Capitol Building
Bismarck, ND 58505



Re: Annual Report

Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., herewith submits one copy of its Gas Annual Report for the year ended December 31, 2008 consisting of:

North Dakota Gas Annual Report
North Dakota Gas Cost of Service Study
Report of Independent Public Accountants

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,

A handwritten signature in cursive script that reads "Donald R. Ball".

Donald R. Ball
Vice President - Regulatory Affairs

Enclosures

ANNUAL REPORT

STATE OF NORTH DAKOTA

GREAT PLAINS NATURAL GAS CO.

FOR THE YEAR ENDED DECEMBER 31, 2008



A Division of MDU Resources Group, Inc.

In the Community to Serve®

INDEX

- I. Intrastate Return on Equity
- II. Capital Structure
- III. Miscellaneous Statistics

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

Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2008 North Dakota	ND % (B / A)	2007 North Dakota	Variance (B-D / D)
<u>Operating Revenues:</u>						
1	Residential	\$20,324,932	\$1,825,784	8.98%	\$1,497,375	21.93%
2	Firm General	13,368,185	1,593,991	11.92%	1,407,144	13.28%
3	Small Interruptible	8,140,254	1,235,031	15.17%	1,190,114	3.77%
4	Large Interruptible	9,822,447				
5	Transportation	906,288	131,350	14.49%	135,938	-3.38%
6	Other Operating Revenues	190,370	12,838	6.74%	11,168	14.95%
7	Reserve for Refunds					
8	Unbilled Revenue	(573,809)	(9,675)	1.69%	17,647	-154.83%
9	Total Operating Revenues	<u>\$52,178,667</u>	<u>\$4,789,319</u>	<u>9.18%</u>	<u>\$4,259,386</u>	<u>12.44%</u>
<u>Operating Expenses:</u>						
10	Cost of Purchased Gas	\$42,993,380	\$4,087,838	9.51%	\$3,559,585	14.84%
11	Production Expense	108,449	3,963	3.65%	4,219	-6.07%
12	Transmission Expense	44,273	10,887	24.59%	12,664	-14.03%
13	Distribution Expense	1,855,794	184,679	9.95%	169,226	9.13%
14	Customer Accounts Expense	1,315,541	114,533	8.71%	82,895	38.17%
15	Customer Service & Info. Exp.	76,237	8,460	11.10%	6,040	40.07%
16	Sales Expense	59,193	6,632	11.20%	9,656	-31.32%
17	Administration & General Exp.	2,504,369	216,920	8.66%	229,317	-5.41%
18	Depreciation Expense	1,351,152	114,937	8.51%	113,960	0.86%
19	Taxes Other than Income	626,307	43,408	6.93%	38,977	11.37%
20	Total Operating Expenses	<u>\$50,934,695</u>	<u>\$4,792,257</u>	<u>9.41%</u>	<u>\$4,226,539</u>	<u>13.38%</u>
21	Net Operating Income					
22	Before Income Taxes	\$1,243,972	(\$2,938)	-0.24%	\$32,847	-108.94%
<u>Income Tax Expense:</u>						
23	Investment Tax Credits					
24	Deferred Income Taxes	(\$709,961)	(\$62,778)	8.84%	(\$95,361)	-34.17%
25	Income Taxes	1,010,928	46,417	4.59%	90,247	-48.57%
26	Total Income Tax Expense	<u>\$300,967</u>	<u>(\$16,361)</u>	<u>-5.44%</u>	<u>(\$5,114)</u>	<u>219.93%</u>
27	Net Regulated Earnings	<u><u>\$943,005</u></u>	<u><u>\$13,423</u></u>	<u>1.42%</u>	<u><u>\$37,961</u></u>	<u>-64.64%</u>

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

Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2008 North Dakota	ND % (B / A)	2007 North Dakota	Variance (B-D / D)
	<u>Rate Base:</u>					
1	Plant in Service	\$31,596,893	\$2,944,632	9.32%	\$3,534,990	-16.70%
2	Less: Accumulated Depreciation	21,341,071	2,343,364	10.98%	2,906,938	-19.39%
3	Add: Construct. Work in Prog. 1/	33,131	(3,477)	-10.49%	817	-525.58%
4	Net Plant in Service	\$10,288,953	\$597,791	5.81%	\$628,869	-4.94%
	<u>Additions: 2/</u>					
5	Materials and Supplies	\$211,639	\$21,039	9.94%	\$19,857	5.95%
6	Prepayments	43,864	3,841	8.76%	7,319	-47.52%
7	Gas in Underground Storage	1,111,946				
8	Fuel Stocks	68,828				
9	Unamortized Loss on Debt	2,932,996	36,869	1.26%	47,659	-22.64%
10	Total Additions	\$4,369,273	\$61,749	1.41%	\$74,835	-17.49%
	<u>Deductions:</u>					
11	Accum. Deferred Income Taxes	\$913,389	\$134,765	14.75%	\$207,951	-35.19%
12	Accumulated Deferred ITC's					
13	Cust. Advances for Construct.					
14	Total Deductions	\$913,389	\$134,765	14.75%	\$207,951	-35.19%
15	Average Rate Base	<u>\$13,744,837</u>	<u>\$524,775</u>	3.82%	<u>\$495,753</u> 3/	5.85%
16	Rate of Return on Avg. Rate Base	6.861%	2.558%		7.657%	
17	Less: Weighted Cost of Debt	3.019%	3.019%		3.074%	
18	Weighted Cost of Pref. Stock	0.141%	0.141%		0.181%	
19	Weighted Return on Equity	3.701%	-0.602%		4.402%	
20	% of Equity to Capital Structure	48.717%	48.717%		53.554%	
21	Return on Equity	<u>7.597%</u>	<u>-1.236%</u>		<u>8.220%</u>	
22	Return on Equity - Adjusted 4/		<u>-3.342%</u>			

1/ Completed construction at December 31, 2008 not yet classified.

2/ Thirteen month average.

3/ Includes unamortized loss on debt.

4/ Reflects exclusion of 401K tax deduction, not attributable to utility service.

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

		(A)	(B)	(C)	(D)
Line #	Description	2008 Average (000's)	Ratio	Cost	Weighted Cost
1	Long-Term Debt 1/	\$193,254	37.683%	7.016%	2.644%
2	Short Term Debt 2/	53,998	10.529%	3.558%	0.375%
3	Preferred Equity	15,750	3.071%	4.601%	0.141%
4	Common Equity	249,840	48.717%	3/	3/
5	Total	<u>\$512,842</u>	<u>100.000%</u>		<u>3/</u>

1/ Includes Minot Air Force Base note payable issued September 23, 2008.

2/ Reflects monthly average short term debt.

3/ 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, 2008

Description	Date of Issuance	Date of Maturity	Interest Rate	Principal Amount of Issue	Gross Proceeds	Underwriters' Commission		Loss on Reacquisition Redemption and Issuance Expense	
						Amount	% Gross Proceeds	Amount	% Gross Proceeds
<u>First Mortgage Bonds:</u>									
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%
5.98% - 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%
6.04% - Senior Note	09/16/08	09/16/18	6.040%	100,000,000	100,000,000	362,432	0.362%	0	0.000%
				<u>\$280,000,000</u>	<u>\$279,911,100</u>	<u>\$1,368,993</u>		<u>\$17,928,841</u>	

Description	Net Proceeds		Cost of Money 1/	Principal Outstanding	Annual Cost	Embedded Cost
	Amount	Per Unit				
<u>First Mortgage Bonds:</u>						
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	
5.98% - 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	
6.04% - Senior Note	99,637,568	99.638%	6.181%	100,000,000	6,181,000	
Total Long-Term Debt Capital	<u>\$260,613,266</u>			<u>\$235,500,000</u>	<u>\$16,134,350</u>	<u>6.851%</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.
ANNUAL REPORT TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	2008	2007	2006	2005	2004
	<u>Customer Related</u>					
1	Year End Customers - Residential	1,693	1,694	1,686	1,692	1,673
2	- Firm General	349	345	344	346	345
3	- Small Interruptible	14	15	16	16	17
4	- Large Interruptible	0	0	0	0	0
5	- Other - Transportation 1/	9	9	9	9	9
6	- Total	<u>2,065</u>	<u>2,063</u>	<u>2,055</u>	<u>2,063</u>	<u>2,044</u>
7	Dk Throughput - Residential	149,621	137,944	131,597	145,357	144,644
8	- Firm General	136,089	136,770	125,578	116,049	131,833
9	- Small Interruptible	144,874	171,385	210,969	202,953	187,915
10	- Large Interruptible	0	0	0	0	0
11	- Other - Transportation	<u>1,274,166</u>	<u>1,342,312</u>	<u>1,386,775</u>	<u>1,345,259</u>	<u>1,272,838</u>
12	- Total	<u>1,704,750</u>	<u>1,788,411</u>	<u>1,854,919</u>	<u>1,809,618</u>	<u>1,737,230</u>

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

NORTH DAKOTA COST OF SERVICE STUDY

GREAT PLAINS GAS OPERATIONS

2008

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2008**

	Total Company	North Dakota	Other
<u>Operating Revenues</u>			
Sales Revenues			
Residential	\$20,324,932	\$1,825,784	\$18,499,148
Firm General	13,368,185	1,593,991	11,774,194
Small Interruptible	8,140,254	1,235,031	6,905,223
Large Interruptible	9,822,447		9,822,447
Unbilled Revenue	(573,809)	(9,675)	(564,134)
Total Sales Revenues	<u>\$51,082,009</u>	<u>\$4,645,131</u>	<u>\$46,436,878</u>
Transportation Revenues	906,288	131,350	774,938
Total Transportation Revenues	<u>\$906,288</u>	<u>\$131,350</u>	<u>774,938</u>
Other Operating Revenues	190,370	12,838	177,532
Total Operating Revenues	<u>\$52,178,667</u>	<u>\$4,789,319</u>	<u>\$47,389,348</u>
<u>Operating Expenses</u>			
Operation and Maintenance			
Cost of Purchased Gas	\$42,993,380	\$4,087,838	\$38,905,542
Production	108,449	3,963	104,486
Transmission	44,273	10,887	33,386
Distribution	1,855,794	184,679	1,671,115
Customer Accounts	1,315,541	114,533	1,201,008
Customer Service & Information	76,237	8,460	67,777
Sales	59,193	6,632	52,561
Administrative & General	2,504,369	216,920	2,287,449
Total O&M Expenses	<u>\$48,957,236</u>	<u>\$4,633,912</u>	<u>\$44,323,324</u>
Depreciation			
Production	\$13,332	\$158	\$13,174
Transmission	11,099	2,608	8,491
Distribution	1,064,472	92,597	971,875
General	117,220	5,953	111,267
Common	46,802	4,393	42,409
Amort. of Intangible Plant - General	53,171	4,995	48,176
Amort. of Intangible Plant - Common	45,056	4,233	40,823
Total Depreciation Expense	<u>\$1,351,152</u>	<u>\$114,937</u>	<u>\$1,236,215</u>

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2008**

	<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	\$31,202	\$700	\$30,502
Transmission	10,354	2,971	7,383
Distribution	342,979	16,105	326,874
General	(1,281)	520	(1,801)
Common	13,677	1,523	12,154
Intangible	61	61	0
Total Ad Valorem Taxes	<u>\$396,992</u>	<u>\$21,880</u>	<u>\$375,112</u>
Other Taxes	<u>229,315</u>	<u>21,528</u>	<u>207,787</u>
Total Taxes Other Than Income Taxes	<u>\$626,307</u>	<u>\$43,408</u>	<u>\$582,899</u>
Current Income Taxes	1,010,928	46,417	964,511
Deferred Income Taxes	<u>(709,961)</u>	<u>(62,778)</u>	<u>(647,183)</u>
Total Operating Expenses	<u>\$51,235,662</u>	<u>\$4,775,896</u>	<u>\$46,459,766</u>
Operating Income	<u><u>\$943,005</u></u>	<u><u>\$13,423</u></u>	<u><u>\$929,582</u></u>
Year End Rate Base	<u><u>\$15,007,368</u></u>	<u><u>\$524,628</u></u>	<u><u>\$14,482,740</u></u>
Rate of Return	<u><u>6.28%</u></u>	<u><u>2.56%</u></u>	<u><u>6.42%</u></u>

GREAT PLAINS NATURAL GAS CO.
YEAR END RATE BASE
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2008

	Total Company	North Dakota	Other
<u>Plant in Service</u>			
Gas Plant in Service			
Production	\$1,053,672	\$0	\$1,053,672
Transmission	1,650,459	401,205	1,249,254
Distribution	22,899,399	2,123,293	20,776,106
General	4,521,136	199,816	4,321,320
Intangible Plant - General	628,990	58,938	570,052
Common	851,581	79,993	771,588
Intangible Plant - Common	777,755	73,059	704,696
Total Gas Plant in Service	<u>\$32,382,992</u>	<u>\$2,936,304</u>	<u>\$29,446,688</u>
Accumulated Reserve for Depreciation			
Production	\$927,316	(\$3,304)	\$930,620
Transmission	1,627,995	399,357	1,228,638
Distribution	15,813,157	1,774,107	14,039,050
General	1,986,054	43,695	1,942,359
Intangible Plant - General	486,307	45,534	440,773
Common	343,804	32,291	311,513
Intangible Plant - Common	461,150	43,319	417,831
Total Accum. Reserve for Depreciation	<u>\$21,645,783</u>	<u>\$2,334,999</u>	<u>\$19,310,784</u>
Net Gas Plant in Service	\$10,737,209	\$601,305	\$10,135,904
CWIP in Service Pending Reclass.	33,131	(3,477)	36,608
Total Gas Plant in Service	<u>\$10,770,340</u>	<u>\$597,828</u>	<u>\$10,172,512</u>
<u>Additions</u>			
Materials and Supplies	\$176,879	\$18,412	\$158,467
Fuel Stocks	84,524		84,524
Prepayments	65,502	669	64,833
Gas in Underground Storage	1,895,531		1,895,531
Unamortized Loss on Debt	2,851,773	28,135	2,823,638
Total Additions	<u>\$5,074,209</u>	<u>\$47,216</u>	<u>\$5,026,993</u>
Total Before Deductions	\$15,844,549	\$645,044	\$15,199,505
<u>Deductions</u>			
Accumulated Deferred Income Taxes	\$837,181	\$120,416	\$716,765
Accumulated Investment Tax Credits			
Customer Advances			
Total Deductions	<u>\$837,181</u>	<u>\$120,416</u>	<u>\$716,765</u>
Year End Rate Base	<u><u>\$15,007,368</u></u>	<u><u>\$524,628</u></u>	<u><u>\$14,482,740</u></u>

**REPORT OF INDEPENDENT
PUBLIC ACCOUNTANTS**

2008



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INDEPENDENT AUDITORS' REPORT

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

We have audited the calculations of the Cost of Gas Adjustment (COG) shown on the accompanying schedule and included in the monthly filings of Great Plains Natural Gas Co. (the "Company"), a division of MDU Resources Group Inc., for the year ended December 31, 2008, based upon Chapter 69-09-01-30 of the North Dakota Administrative Code (the "Code"), North Dakota Century Code 49-05-05, and the Cost of Gas Rates (the "Tariff") filed by the Company with the North Dakota Public Service Commission (the "Commission"). 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 audits.

We conducted our audits 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting as it relates to the calculations. 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, and significant estimates made by management, as well as evaluating the overall presentation of the calculations. We believe that our audits provide a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with Chapter 69-09-01-30 of the Code and is not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, the accompanying schedule presents fairly, in all material respects, the calculations of the COG for the year ended December 31, 2008 in accordance with the Code and Tariffs approved by the Commission.

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 13, 2009

GREAT PLAINS NATURAL GAS CO.

SCHEDULE OF 2008 AUTOMATIC ADJUSTMENT CLAUSE
CALCULATIONS FOR THE COST OF GAS ADJUSTMENT

Effective for the Month of:	Firm	Interruptible
January	\$ 4.5025	\$ 1.6795
February	5.5040	2.7461
March	6.3992	3.5587
April	6.4534	3.5960
May	7.5447	4.6887
June	6.8898	3.8776
July	9.2402	6.1540
August	6.4538	3.3717
September	4.6872	1.5910
October	3.8520	0.8424
November	2.8985	(0.1239)
December	3.0876	0.3248