



MONTANA-DAKOTA

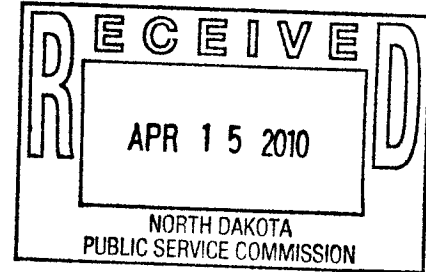
UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

April 15, 2010

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



Re: Annual Reports

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., herewith submits one copy of its Electric and Gas Annual Reports for the year ended December 31, 2009 consisting of:

North Dakota Electric and Gas Annual Reports
North Dakota Electric and Gas Cost of Service Studies
Report of Independent Public Accountants
2009 Annual Report to Stockholders

A copy of the FERC Form No. 1 is not available at this time. A copy will be sent shortly.

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,

Rita A. Mulkern
Regulatory Analysis Manager

Enclosures

ANNUAL REPORT
STATE OF NORTH DAKOTA

ELECTRIC OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009



MONTANA-DAKOTA
UTILITIES CO.

A Division of MDU Resources Group, Inc.

In the Community to Serve®

INDEX

-
- I. Intrastate Return on Equity**
 - II. Capital Structure**
 - III. Affiliated Transactions**
 - IV. Miscellaneous Statistics**

**MONTANA-DAKOTA UTILITIES CO.
ANNUAL REPORT
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2009 North Dakota	ND % (B/A)	2008 North Dakota	Variance (B-D/D)
<u>Operating Revenues:</u>						
1	Residential	\$73,937,257	\$43,361,646	58.65%	\$45,245,642	-4.16%
2	Small General	23,576,826	8,242,185	34.96%	8,511,655	-3.17%
3	Large General 1/	80,564,947	51,993,818	64.54%	56,784,338	-8.44%
4	Lighting Service	2,976,854	1,731,422	58.16%	1,910,191	-9.36%
5	Municipal Pumping Service	2,085,657	1,587,726	76.13%	1,725,261	-7.97%
6	Cogeneration	411	411	100.00%	17	2317.65%
7	Sales for Resale	2,239,005	1,456,519	65.05%	5,240,636	-72.21%
8	Margin Sharing Adjustment	3,915,813	3,241,038	82.77%	2,851,094	13.68%
9	Other Operating Revenues	7,691,818	4,684,059	60.90%	4,676,426	0.16%
10	Unbilled Revenue	(1,771,219)	(1,475,466)	83.30%	(87,202)	1592.01%
11	Total Operating Revenues	\$195,217,369	\$114,823,358	58.82%	\$126,858,058	-9.49%
<u>Operating Expenses:</u>						
12	Production Expense	\$86,741,169	\$46,625,598	53.75%	\$56,842,981	-17.97%
13	Transmission Expense	8,234,482	5,605,166	68.07%	5,287,252	6.01%
14	Distribution Expense	10,546,255	6,055,201	57.42%	6,308,831	-4.02%
15	Customer Accounts Expense	3,699,547	2,163,061	58.47%	2,198,597	-1.62%
16	Customer Service & Info. Exp.	333,508	264,054	79.17%	177,151	49.06%
17	Sales Expense	273,396	194,519	71.15%	199,239	-2.37%
18	Administration & General Exp.	16,678,634	10,525,633	63.11%	12,168,047	-13.50%
19	Depreciation Expense	24,516,206	15,704,897	64.06%	15,077,238	4.16%
20	Taxes Other than Income	8,375,830	4,338,397	51.80%	4,574,440	-5.16%
21	Total Operating Expenses	\$159,399,027	\$91,476,526	57.39%	\$102,833,776	-11.04%
22	Net Operating Income					
23	before Income Taxes	\$35,818,342	\$23,346,832	65.18%	\$24,024,282	-2.82%
<u>Income Tax Expense:</u>						
24	Investment Tax Credits					
25	Deferred Income Taxes	\$12,913,009	\$8,806,351	68.20%	\$6,025,382	46.15%
26	Income Taxes	(5,252,566)	(3,810,895)	72.55%	(475,428)	701.57%
27	Total Income Tax Expense	\$7,660,443	\$4,995,456	65.21%	\$5,549,954	-9.99%
28	Net Regulated Earnings	\$28,157,899	\$18,351,376	65.17%	\$18,474,328	-0.67%

1/ The North Dakota contract revenue delta associated with this class is shown below. The contract revenue delta is the difference between the revenue collected under all special contracts and the revenue that would have been collected had these loads been charged the standard rate.

	2009	2008
Large General	\$620,240	\$751,619

**MONTANA-DAKOTA UTILITIES CO.
ANNUAL REPORT
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2009 North Dakota	ND % (B/A)	2008 North Dakota	Variance (B-D/D)
<u>Rate Base:</u>						
1	Plant in Service	\$808,867,654	\$521,380,142	64.46%	\$486,133,091	7.25%
2	Less: Accumulated Depreciation	449,079,220	282,684,556	62.95%	272,405,081	3.77%
3	Add: Construct. Work in Prog. 1/	2,427,841	1,477,259	60.85%	2,462,505	-40.01%
4	Net Plant in Service	<u>\$362,216,275</u>	<u>\$240,172,845</u>	66.31%	<u>\$216,190,515</u>	11.09%
<u>Additions:</u>						
5	Materials and Supplies 2/	\$8,223,194	\$5,086,877	61.86%	\$5,076,302	0.21%
6	Fuel Stocks 2/	4,222,044	2,746,839	65.06%	2,776,235	-1.06%
7	Prepayments 2/	417,165	272,069	65.22%	173,993	56.37%
8	Unamortized Loss on Debt	7,349,624	4,795,968	65.25%	4,733,175	1.33%
9	Total Additions	<u>\$20,212,027</u>	<u>\$12,901,753</u>	63.83%	<u>\$12,759,705</u>	1.11%
<u>Deductions:</u>						
10	Accum. Deferred Income Taxes	\$67,979,818	\$47,993,325	70.60%	\$42,230,987	13.64%
11	Accumulated Deferred ITCs	188,715	143,690	76.14%	253,781	-43.38%
12	Cust. Advances for Construct. 2/	3,070,184	141,240	4.60%	50,118	181.81%
13	Total Deductions	<u>\$71,238,717</u>	<u>\$48,278,255</u>	67.77%	<u>\$42,534,886</u>	13.50%
14	Average Rate Base	<u>\$311,189,585</u>	<u>\$204,796,343</u>	65.81%	<u>\$186,415,334</u>	9.86%
15	Rate of Return on Avg. Rate Base	9.048%	8.961%		9.910%	
16	Less: Weighted Cost of Debt	3.155%	3.155%		3.019%	
17	Weighted Cost of Pref. Stock	<u>0.127%</u>	<u>0.127%</u>		<u>0.141%</u>	
18	Weighted Return on Equity	5.766%	5.679%		6.750%	
19	% of Equity to Capital Structure	51.437%	51.437%		48.717%	
20	Return on Equity	<u>11.210%</u>	<u>11.041%</u>		<u>13.856%</u>	
21	Return on Equity - Adjusted 3/		<u>10.646%</u>		<u>13.404%</u>	

1/ Completed construction at December 31, 2009 not yet classified.
\$863,924 total company and \$545,060 North Dakota.

2/ Thirteen month average.

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

MONTANA-DAKOTA UTILITIES CO.
ANNUAL REPORT
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

		(A)	(B)	(C)	(D)
Line #	Description	2009 Average (000's)	Ratio	Cost	Weighted Cost
1	Long-Term Debt	\$258,256	45.476%	6.855%	3.117%
2	Short Term Debt 1/	1,880	0.331%	11.590%	0.038%
3	Preferred Equity	15,650	2.756%	4.597%	0.127%
4	Common Equity	<u>292,113</u>	<u>51.437%</u>	2/	<u>2/</u>
5	Total	<u>\$567,899</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.

MONTANA-DAKOTA UTILITIES CO.
LONG-TERM DEBT CAPITAL
DECEMBER 31, 2009

Description	Date of Issuance	Date of Maturity	Interest Rate	Principal Amount of Issue	Gross Proceeds	Underwriters' Commission		Loss on Reacquisition and Redemption and Issuance Expense	
						Amount	% Gross Proceeds	Amount	% Gross Proceeds
<u>First Mortgage Bonds:</u>									
Secured Medium-term Notes, Series A:									
6.61% - Senior Note	9/1/2009	9/30/2016	6.610%	\$25,000,000	\$25,000,000	\$59,494	0.238%	\$517,288	2.069%
6.66% - Senior Note	10/1/2009	9/30/2016	6.660%	25,000,000	25,000,000	59,494	0.238%	517,288	2.069%
5.98% - Senior Note	12/15/2003	12/15/2033	5.980%	30,000,000	30,000,000	262,500	0.875%	280,668	0.936%
6.33% - Senior Note	8/24/2006	8/24/2026	6.330%	100,000,000	100,000,000	344,061	0.344%	10,532,009	10.532%
6.04% - Senior Note	9/16/2008	9/16/2018	6.040%	100,000,000	100,000,000	362,432	0.362%	0	0.000%
				<u>\$280,000,000</u>	<u>\$280,000,000</u>	<u>\$1,087,981</u>		<u>\$11,847,253</u>	

Description	Net Proceeds		Cost of Money 1/	Principal Outstanding		Embedded Cost
	Amount	Per Unit		Principal Outstanding	Annual Cost	
<u>First Mortgage Bonds:</u>						
Secured Medium-term Notes, Series A:						
6.61% - Senior Note	\$24,423,218	97.693%	7.114%	\$25,000,000	\$1,778,500	
6.66% - Senior Note	24,423,218	97.693%	7.166%	25,000,000	1,791,500	
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>\$267,064,766</u>			<u>\$280,000,000</u>	<u>\$19,126,500</u>	<u>6.831%</u>

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

MONTANA-DAKOTA UTILITIES CO.
ANNUAL REPORT TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

Line #	Description	2009	2008	2007	2006	2005
Customer Related						
1	Year End Customers - Residential	62,221	61,784	61,096	60,595	60,253
2	- Small General	8,800	8,749	10,163	8,510	10,186
3	- Large General	3,052	2,958	1,655	2,822	1,175
4	- Lighting Service	968	920	588	816	544
5	- Municipal Pumping	305	297	300	297	296
6	- Cogeneration	3	2	2	2	1
7	- Total	75,349	74,710	73,804	73,042	72,455
Kwh's Sold						
8	Residential	599,264,994	576,812,796	560,762,294	542,720,464	517,749,391
9	- Small General	99,486,018	95,767,826	93,314,822	90,219,904	87,848,074
10	- Large General	810,812,361	825,308,596	793,457,649	765,569,058	740,547,879
11	- Lighting Service	26,065,109	26,622,675	26,268,694	25,975,570	25,522,363
12	- Municipal Pumping	29,665,307	29,185,811	29,433,458	29,372,371	27,098,505
13	- Cogeneration	10,164	14,480	12,885	13,381	12,221
14	- Total	1,565,303,953	1,553,712,184	1,503,249,802	1,453,870,748	1,398,778,433
15	IEEE Standards SAIFI 1/	0.340	0.481	0.580	0.343	
16	SAIDI 2/	39.29	51.66	65.02	39.39	

1/ Number of total company average customer interruptions.

2/ Company average customer interruption duration in minutes.

**MONTANA-DAKOTA UTILITIES CO.
ANNUAL REPORT
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION
MAJOR TRANSACTIONS**

Line #	Affiliate's Name	General Description of Service Rendered and/or Supplied	Revenue or (Expense)	
			Total Company	Allocated to North Dakota
1	Knife River Corporation	Electric Sales	\$98,554	\$98,554
2		Natural Gas Sales	47,845	47,845
3	Williston Basin Interstate Pipeline Company	Electric Sales	1,188,238	240,750
4		Natural Gas Pipeline Services	(38,601,887)	(15,823,829)
5		Natural Gas Sales	34,772	6,026
6	FutureSource	Electric Sales	137,807	137,807
7		Natural Gas Sales	9,996	9,996
8	Fidelity Exploration & Production Company	Electric Sales	71,456	245
9		Natural Gas Sales	4,924	0
10	Prairie Lands Energy Marketing, Inc.	Natural Gas Purchases	(16,973,903)	(7,291,152)
11	Bitter Creek Pipeline	Electric Sales	4,334	0
12		Natural Gas Sales	9,198	0
13	JTL Group	Natural Gas Sales	74,345	0
14	Rocky Mountain Contractor	Natural Gas Sales	2,832	0
15	Total Corrosion Solution	Natural Gas Sales	1,099	0
	Total		<u>(\$53,890,390)</u>	<u>(\$22,573,758)</u>