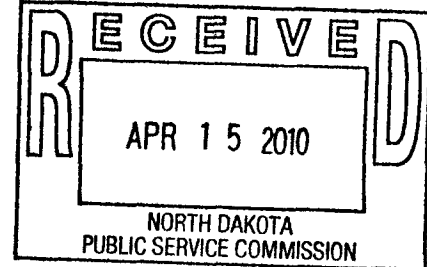


MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.

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

GAS 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	\$157,798,729	\$64,596,974	40.94%	\$74,353,509	-13.12%
2	Firm General	104,409,467	44,343,510	42.47%	51,070,969	-13.17%
3	Small Interruptible	9,871,910	6,832,291	69.21%	9,687,474	-29.47%
4	Large Interruptible	651,264	62,903	9.66%	74,160	-15.18%
5	Transportation	2,615,928	994,062	38.00%	1,096,001	-9.30%
6	Other Operating Revenues	1,370,213	813,692	59.38%	405,927	100.45%
7	Unbilled Revenue	(8,161,625)	(4,077,286)	49.96%	2,776,083	-246.87%
8	Total Operating Revenues	\$268,555,886	\$113,566,146	42.29%	\$139,464,123	-18.57%
<u>Operating Expenses:</u>						
9	Cost of Purchased Gas	\$202,574,502	\$88,880,917	43.88%	\$113,198,197	-21.48%
10	Other Gas Supply Expense	246,199	108,218	43.96%	125,218	-13.58%
11	Distribution Expense	15,053,570	6,476,510	43.02%	7,767,738	-16.62%
12	Customer Accounts Expense	6,693,170	2,588,292	38.67%	2,744,634	-5.70%
13	Customer Service & Info. Exp.	402,811	210,864	52.35%	247,453	-14.79%
14	Sales Expense	671,198	205,924	30.68%	312,949	-34.20%
15	Administration & General Exp.	13,879,194	5,871,425	42.30%	6,905,587	-14.98%
16	Depreciation Expense	9,175,544	3,234,717	35.25%	3,026,521	6.88%
17	Taxes Other than Income	5,499,065	1,296,203	23.57%	1,478,592	-12.34%
18	Total Operating Expenses	\$254,195,253	\$108,873,070	42.83%	\$135,806,889	-19.83%
19	Net Operating Income					
20	before Income Taxes	\$14,360,633	\$4,693,076	32.68%	\$3,657,234	28.32%
<u>Income Tax Expense:</u>						
21	Investment Tax Credits					
22	Deferred Income Taxes	(\$6,455,733)	(\$3,416,799)	52.93%	\$4,708,244	-172.57%
23	Income Taxes	9,417,856	4,445,379	47.20%	(4,259,184)	-204.37%
24	Total Income Tax Expense	\$2,962,123	\$1,028,580	34.72%	\$449,060	129.05%
25	Net Regulated Earnings	\$11,398,510	\$3,664,496	32.15%	\$3,208,174	14.22%

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	\$289,713,714	\$102,229,750	35.29%	\$95,534,731	7.01%
2	Less: Accumulated Depreciation	163,295,215	63,092,917	38.64%	61,169,085	3.15%
3	Add: Construct. Work in Prog. 1/	1,517,676	693,697	45.71%	1,065,512	-34.90%
4	Net Plant in Service	<u>\$127,936,175</u>	<u>\$39,830,530</u>	31.13%	<u>\$35,431,158</u>	12.42%
<u>Additions:</u>						
5	Materials and Supplies 2/	\$2,065,108	\$909,344	44.03%	\$941,235	-3.39%
6	Prepayments 2/	427,110	152,848	35.79%	117,308	30.30%
7	Fuel Stocks 2/	28,061	28,061	100.00%	30,398	-7.69%
8	Gas in Underground Storage	5,001,004		0.00%		
9	Prepaid Demand/Commodity	1,160,134		0.00%		
10	Other	261,749		0.00%		
11	Unamortized Loss on Debt	2,788,262	832,458	29.86%	895,041	-6.99%
12	Total Additions	<u>\$11,731,428</u>	<u>\$1,922,711</u>	16.39%	<u>\$1,983,982</u>	-3.09%
<u>Deductions:</u>						
13	Accum. Deferred Income Taxes	\$14,865,805	\$4,876,849	32.81%	\$4,239,423	15.04%
14	Accumulated Deferred ITC's	72,987	34,690	47.53%	55,646	-37.66%
15	Cust. Advances for Construct. 2/	2,586,727	1,449,389	56.03%	961,135	50.80%
16	Total Deductions	<u>\$17,525,519</u>	<u>\$6,360,928</u>	36.30%	<u>\$5,256,204</u>	21.02%
17	Average Rate Base	<u>\$122,142,084</u>	<u>\$35,392,313</u>	28.98%	<u>\$32,158,936</u>	10.05%
18	Rate of Return on Avg. Rate Base	9.332%	10.354%		9.976%	
19	Less: Weighted Cost of Debt	3.155%	3.155%		3.019%	
20	Weighted Cost of Pref. Stock	0.127%	0.127%		0.141%	
21	Weighted Return on Equity	6.050%	7.072%		6.816%	
22	% of Equity to Capital Structure	51.437%	51.437%		48.717%	
23	Return on Equity	<u>11.762%</u>	<u>13.749%</u>		<u>13.991%</u>	
24	Return on Equity - Adjusted 3/		<u>11.999%</u>		<u>4.873%</u>	

1/ Completed construction at December 31, 2009 not yet classified.

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	292,113	51.437%	2/	2/
5	Total	<u>\$567,899</u>	<u>100.000%</u>		<u>2/</u>

1/ Return on equity is calculated in Section I, page 2 of 2
2/ Reflects monthly average short term debt.

II. CAPITAL STRUCTURE - TOTAL UTILITY

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 Redemption and Issuance Expense	
						Amount	% Gross Proceeds	Amount	% Gross Proceeds
First Mortgage Bonds:									
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	Annual Cost	Embedded Cost
	Amount	Per Unit				
First Mortgage Bonds:						
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
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	Electric Sales	1,188,238	240,750
4	Company	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	Electric Sales	71,456	245
9	Company	Natural Gas Sales	4,924	0
10	Prairielands 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>

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

Line #	Description	2009	2008	2007	2006	2005
<u>Customer Related</u>						
1	Year End Customers - Residential	80,310	79,333	78,138	76,991	75,732
2	- Firm General	12,056	11,899	11,755	11,603	11,701
3	- Small Interruptible	69	74	65	47	48
4	- Large Interruptible	0	0	0	0	0
5	- Other - Transportation 1/	96	89	92	107	105
6	- Total	92,531	91,395	90,050	88,748	87,586
7	Dk Sold - Residential	8,261,875	7,881,702	7,361,698	6,911,260	7,494,854
8	- Firm General	6,165,170	5,798,692	5,418,114	5,050,791	5,430,457
9	- Small Interruptible	1,298,987	1,338,635	1,275,829	1,332,694	1,385,018
10	- Large Interruptible	9,707	9,893	17,966	4,239	2,583
11	- Other - Transportation	3,542,960	4,091,615	3,140,679	2,932,181	3,365,786
12	- Total	19,278,699	19,120,537	17,214,286	16,231,165	17,678,698

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