

MONTANA-DAKOTA

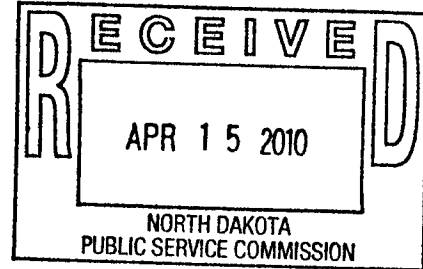
UTILITIES CO.

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

NORTH DAKOTA COST OF SERVICE STUDY

GAS OPERATIONS

2009

MONTANA-DAKOTA UTILITIES CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2009

	<u>Total Company</u>	<u>North Dakota</u>	<u>Others</u>
<u>Operating Revenues</u>			
Sales Revenues			
Residential	\$157,798,729	\$64,596,974	\$93,201,755
Firm General	104,409,467	44,343,510	60,065,957
Small Interruptible	9,871,910	6,832,291	3,039,619
Large Interruptible	651,264	62,903	588,361
Unbilled Revenue	<u>(8,279,626)</u>	<u>(4,173,796)</u>	<u>(4,105,830)</u>
Total Sales Revenues	264,451,744	111,661,882	152,789,862
Transportation Revenues			
Small Interruptible	1,263,312	426,995	836,317
Large Interruptible	1,352,616	567,067	785,549
Unbilled Revenue	118,001	96,510	21,491
Total Transportation Revenues	<u>2,733,929</u>	<u>1,090,572</u>	<u>1,643,357</u>
Other Operating Revenues	<u>1,370,213</u>	<u>813,692</u>	<u>556,521</u>
Total Operating Revenues	<u>\$268,555,886</u>	<u>\$113,566,146</u>	<u>\$154,989,740</u>
<u>Operating Expenses</u>			
Operation and Maintenance			
Cost of Purchased Gas	\$202,574,502	\$88,880,917	\$113,693,585
Other Gas Supply	246,199	108,218	137,981
Distribution	15,053,570	6,476,510	8,577,060
Customer Accounts	6,693,170	2,588,292	4,104,878
Customer Service & Information	402,811	210,864	191,947
Sales	671,198	205,924	465,274
Administrative & General	<u>13,879,194</u>	<u>5,871,425</u>	<u>8,007,769</u>
Total O&M Expenses	239,520,644	104,342,150	135,178,494
Depreciation			
Distribution	7,145,985	2,559,496	4,586,489
General	584,505	158,047	426,458
Common	711,852	211,784	500,068
Amort. of Intangible Plant - General	63,831	63,831	0
Amort. of Intangible Plant - Common	666,405	238,705	427,700
Amort. of Acquisition Adjustment	2,819	2,819	0
Gas Leased to Others	147	35	112
Total Depreciation Expense	<u>9,175,544</u>	<u>3,234,717</u>	<u>5,940,827</u>

**MONTANA-DAKOTA UTILITIES CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2009**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Others</u>
<u>Operating Expenses Con't.</u>			
Taxes Other Than Income Taxes			
Ad Valorem Taxes			
Distribution	2,882,532	520,289	2,362,243
General	196,712	41,389	155,323
Common	340,961	45,301	295,660
Intangible	21,984	21,338	646
Total Ad Valorem Taxes	<u>3,442,189</u>	<u>628,317</u>	<u>2,813,872</u>
Other Taxes	<u>2,056,876</u>	<u>667,886</u>	<u>1,388,990</u>
Total Taxes Other Than Income Taxes	<u>5,499,065</u>	<u>1,296,203</u>	<u>4,202,862</u>
Current Income Taxes	9,417,856	4,445,379	4,972,477
Deferred Income Taxes	<u>(6,455,733)</u>	<u>(3,416,799)</u>	<u>(3,038,934)</u>
Total Operating Expenses	<u>\$257,157,376</u>	<u>\$109,901,650</u>	<u>\$147,255,726</u>
Operating Income	<u><u>\$11,398,510</u></u>	<u><u>\$3,664,496</u></u>	<u><u>\$7,734,014</u></u>
Year End Rate Base	<u><u>\$123,002,716</u></u>	<u><u>\$34,285,706</u></u>	<u><u>\$88,717,010</u></u>
Rate of Return	<u><u>9.27%</u></u>	<u><u>10.69%</u></u>	<u><u>8.72%</u></u>

MONTANA-DAKOTA UTILITIES CO.
YEAR END RATE BASE
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2009

	<u>Total Company</u>	<u>North Dakota</u>	<u>Others</u>
<u>Plant in Service</u>			
Gas Plant in Service			
Distribution	\$230,368,124	\$82,350,635	\$148,017,489
General	29,037,033	8,224,783	20,812,250
Intangible Plant - General	2,643,858	2,369,377	274,481
Common	20,783,723	6,145,477	14,638,246
Intangible Plant - Common	9,530,643	3,413,836	6,116,807
Acquisition Adjustment	97,266	97,266	
Total Gas Plant in Service	<u>292,460,647</u>	<u>102,601,374</u>	<u>189,859,273</u>
Accumulated Reserve for Depreciation			
Distribution	136,497,387	52,774,521	83,722,866
General	13,246,742	4,826,401	8,420,341
Intangible Plant - General	546,112	271,631	274,481
Common	8,049,114	3,385,958	4,663,156
Intangible Plant - Common	6,734,311	2,412,219	4,322,092
Acquisition Adjustment	46,753	46,753	0
Total Accum. Reserve for Depreciation	<u>165,120,419</u>	<u>63,717,483</u>	<u>101,402,936</u>
Net Gas Plant in Service	127,340,228	38,883,891	88,456,337
CWIP in Service Pending Reclass.	1,517,676	693,697	823,979
Total Gas Plant in Service	<u>\$128,857,904</u>	<u>\$39,577,588</u>	<u>\$89,280,316</u>
<u>Additions</u>			
Materials and Supplies	1,903,222	776,143	1,127,079
Fuel Stocks	33,048	33,048	
Prepayments	77,875	27,885	49,990
Gas in Underground Storage	6,868,124		6,868,124
Demand Charges	1,072,885		1,072,885
Other	234,484		234,484
Unamortized Loss on Debt	2,724,750	799,388	1,925,362
Total Additions	<u>12,914,388</u>	<u>1,636,464</u>	<u>11,277,924</u>
Total Before Deductions	\$141,772,292	\$41,214,052	\$100,558,240
<u>Deductions</u>			
Accumulated Deferred Income Taxes	15,527,420	4,912,135	10,615,285
Accumulated Investment Tax Credits	51,713	24,684	27,029
Customer Advances	3,190,443	1,991,527	1,198,916
Total Deductions	<u>18,769,576</u>	<u>6,928,346</u>	<u>11,841,230</u>
Year End Rate Base	<u><u>\$123,002,716</u></u>	<u><u>\$34,285,706</u></u>	<u><u>\$88,717,010</u></u>