



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

RECEIVED

APR 15 2011

April 15, 2011

PUBLIC SERVICE COMMISSION

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, 2010 consisting of:

- North Dakota Electric and Gas Annual Reports
- North Dakota Electric and Gas Cost of Service Studies
- Report of Independent Public Accountants ✓
- 2010 Annual Report to Stockholders
- FERC Form No. 1

The earned returns for Montana-Dakota's gas and electric operations have increased from 2009. The increase is largely the result of changes the Company has implemented to control costs, however 2010 is not viewed as representative of a normal operating year. The Company continually looks for opportunities to improve efficiencies and control costs and Montana-Dakota is currently participating in a utility integration effort, along with the three other utilities within the MDU Resources Group, Inc.'s utility group (Great Plains Natural Gas Co., Cascade Natural Gas Corporation and Intermountain Gas Company). Through this effort, the four utilities are pursuing best practices and employing technological advances in an effort to streamline similar processes across all four utilities, while also addressing the current economic uncertainties being experienced today. A number of changes have already occurred or are in the process of being implemented that have allowed the Company to control its costs and these efforts are reflected in the returns earned in 2010. However, as processes are refined and the Company continues to operate in compliance with an ever changing environment, the cost levels are expected to increase in 2011. As costs continue to increase, the integration efforts are helping manage against those and maintain customer costs at the same levels.

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

Rita A. Mulkern
Regulatory Affairs Manager

Enclosures

**REPORT OF INDEPENDENT
PUBLIC ACCOUNTANTS**

2010



Deloitte & Touche LLP
Suite 2800
50 South Sixth Street
Minneapolis, MN 55402-1538
USA

Tel: +1 612 397 4000
Fax: +1 612 397 4450
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Managing Committee of
Montana-Dakota Utilities Co.:

We have audited the calculations of the Cost of Gas Adjustment (COG) and Fuel Cost Adjustment (FCA) shown on the accompanying schedules and included in the monthly filings of Montana-Dakota Utilities Co. (the "Company"), a division of MDU Resources Group Inc., for the year ended December 31, 2010, based upon Chapters 69-09-01-30 and 69-09-02-39, respectively, of the North Dakota Administrative Code (the "Code") and Cost of Gas Rate 88 and Fuel Clause Rate 58 (the "Tariffs") filed by the Company with the North Dakota Public Service Commission (the "Commission"). These calculations of the COG and FCA are the responsibility of the Company's management. Our responsibility is to express an opinion on the calculations of the COG and FCA 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. Our audit included 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 schedules were prepared for the purpose of complying with Chapters 69-09-01-30 and 69-09-02-39, respectively, of the Code and are not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, the accompanying schedules present fairly, in all material respects, the calculations of the COG and FCA for the year ended December 31, 2010, 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 8, 2011

SCHEDULE I

MONTANA-DAKOTA UTILITIES CO.

**SCHEDULE OF 2010 AUTOMATIC ADJUSTMENT CLAUSE
CALCULATIONS FOR THE COST OF GAS ADJUSTMENT**

Effective for the Month of:	Adjustments per dekatherm		
	Residential and General Service	Small and Large Interruptible	Air Force Interruptible
January	\$0.180	\$0.169	\$0.169
February	1.334	1.343	1.337
March(1)	N/A	N/A	N/A
April	(0.525)	(0.522)	(0.520)
May	(0.933)	(0.940)	(0.936)
June(1)	N/A	N/A	N/A
July(1)	N/A	N/A	N/A
August	0.474	0.489	0.486
September	(0.284)	(0.277)	(0.275)
October	(0.517)	(0.869)	(0.999)
November	0.643	0.642	0.639
December	(0.304)	(0.326)	(0.325)

(1) No COG filing was required for the indicated month pursuant to COG Rate 88, since the adjustment was less than \$0.10 per dekatherm.

SCHEDULE II

MONTANA-DAKOTA UTILITIES CO.

**SCHEDULE OF 2010 AUTOMATIC ADJUSTMENT CLAUSE
CALCULATIONS FOR THE FUEL COST ADJUSTMENT**

Effective for the Month of:	Fuel Cost Adjustments per Kilowatt Hour
January	.00344
February	.00436
March	.00547
April	.00732
May	.00722
June	.00674
July	.00712
August	.00962
September	.01222
October	.01385
November	.01115
December	.01114