



GREAT PLAINS
NATURAL GAS CO.

A Division of MDU Resources Group, Inc.

105 West Lincoln Avenue

Mailing Address:

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April 15, 2011

RECEIVED

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

PUBLIC SERVICE COMMISSION

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, 2010 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,

Rita A. Mulkern

Rita A. Mulkern
Regulatory Affairs Manager

Enclosures

1 **PU-11-120** Filed: 4/15/2011 Pages: 7
North Dakota Gas Annual Report

Great Plains Natural Gas Co.

Rita Mulkern

ANNUAL REPORT

STATE OF NORTH DAKOTA

GREAT PLAINS NATURAL GAS CO.

FOR THE YEAR ENDED DECEMBER 31, 2010



A Division of MDU Resources Group, Inc.

In the Community to Serve®

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- 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	2010 North Dakota	ND % (B / A)	2009 North Dakota	Variance (B-D / D)
<u>Operating Revenues:</u>						
1	Residential	\$14,693,794	\$1,304,231	8.88%	\$1,256,627	3.79%
2	Firm General	9,531,024	1,132,651	11.88%	1,046,788	8.20%
3	Small Interruptible	4,612,374	1,061,410	23.01%	649,732	63.36%
4	Large Interruptible	5,036,495				
5	Transportation	1,281,130	139,381	10.88%	137,870	1.10%
6	Other Operating Revenues	284,144	13,785	4.85%	14,188	-2.84%
7	Reserve for Refunds					
8	Unbilled Revenue	(333,750)	(89,552)	26.83%	85,702	-204.49%
9	Total Operating Revenues	\$35,105,211	\$3,561,906	10.15%	\$3,190,907	11.63%
<u>Operating Expenses:</u>						
10	Cost of Purchased Gas	\$26,160,042	\$2,839,809	10.86%	\$2,456,661	15.60%
11	Production Expense	59,966	3,978	6.63%	3,045	30.64%
12	Transmission Expense	16,185	3,997	24.70%	8,341	-52.08%
13	Distribution Expense	2,050,757	186,187	9.08%	181,518	2.57%
14	Customer Accounts Expense	914,156	81,208	8.88%	79,854	1.70%
15	Customer Service & Info. Exp.	120,063	3,852	3.21%	5,305	-27.39%
16	Sales Expense	42,386	2,929	6.91%	5,456	-46.32%
17	Administration & General Exp.	1,790,930	149,458	8.35%	174,484	-14.34%
18	Depreciation Expense	1,384,292	117,560	8.49%	117,416	0.12%
19	Taxes Other than Income	671,413	41,679	6.21%	31,552	32.10%
20	Total Operating Expenses	\$33,210,190	\$3,430,657	10.33%	\$3,063,632	11.98%
21	Net Operating Income					
22	Before Income Taxes	\$1,895,021	\$131,249	6.93%	\$127,275	3.12%
<u>Income Tax Expense:</u>						
23	Investment Tax Credits					
24	Deferred Income Taxes	\$229,016	\$80,537	35.17%	\$46,095	74.72%
25	Income Taxes	428,340	(45,801)	-10.69%	(10,943)	318.54%
26	Total Income Tax Expense	\$657,356	\$34,736	5.28%	\$35,152	-1.18%
27	Net Regulated Earnings	\$1,237,665	\$96,513	7.80%	\$92,123	4.77%

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ANNUAL REPORT TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2010 North Dakota	ND % (B / A)	2009 North Dakota	Variance (B-D / D)
	<u>Rate Base:</u>					
1	Plant in Service	\$33,150,667	\$2,995,526	9.04%	\$2,945,265	1.71%
2	Less: Accumulated Depreciation	22,960,952	2,481,142	10.81%	2,387,647	3.92%
3	Add: Construct. Work in Prog. 1/	248,928	7,049	2.83%	4,515	56.12%
4	Net Plant in Service	<u>\$10,438,643</u>	<u>\$521,433</u>	5.00%	<u>\$562,133</u>	<u>-7.24%</u>
	<u>Additions: 2/</u>					
5	Materials and Supplies	\$195,724	\$21,102	10.78%	\$20,054	5.23%
6	Prepayments	36,965	3,370	9.12%	4,352	-22.56%
7	Gas in Underground Storage	263,260				
8	Fuel Stocks	37,583				
9	Unamortized Loss on Debt	186,989	13,478	7.21%	21,833	-38.27%
10	Total Additions	<u>\$720,521</u>	<u>\$37,950</u>	5.27%	<u>\$46,239</u>	<u>-17.93%</u>
	<u>Deductions:</u>					
11	Accum. Deferred Income Taxes	\$769,646	\$106,049	13.78%	\$113,627	-6.67%
12	Accumulated Deferred ITC's					
13	Cust. Advances for Construct.					
14	Total Deductions	<u>\$769,646</u>	<u>\$106,049</u>	13.78%	<u>\$113,627</u>	<u>-6.67%</u>
15	Average Rate Base	<u>\$10,389,518</u>	<u>\$453,334</u>	4.36%	<u>\$494,745</u>	<u>-8.37%</u>
16	Rate of Return on Avg. Rate Base	11.913%	21.290%		18.620%	
17	Less: Weighted Cost of Debt	3.087%	3.087%		3.155%	
18	Weighted Cost of Pref. Stock	0.114%	0.114%		0.127%	
19	Weighted Return on Equity	8.712%	18.089%		15.338%	
20	% of Equity to Capital Structure	52.299%	52.299%		51.437%	
21	Return on Equity	<u>16.658%</u>	<u>34.588%</u>		<u>29.819%</u>	
22	Return on Equity - Adjusted 3/		<u>29.897%</u>		<u>27.782%</u>	

1/ Completed construction at December 31, 2010 not yet classified.

2/ Thirteen month average.

3/ Reflects exclusion of 401K tax deduction, not attributable to utility service and the removal of Supplemental Insurance.

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

Line #	Description	(A) 2010 Average (000's)	(B) Ratio	(C) Cost	(D) Weighted Cost
1	Long-Term Debt	\$280,499	44.590%	6.845%	3.052%
2	Short Term Debt 1/	4,016	0.639%	5.427%	0.035%
3	Preferred Equity	15,550	2.472%	4.592%	0.114%
4	Common Equity	328,992	52.299%	2/	2/
5	Total	<u>\$629,057</u>	<u>100.000%</u>		<u>2/</u>

1/ Reflects monthly average short term debt.

2/ Return on equity is calculated in Section 1, page 2 of 2.

II. CAPITAL STRUCTURE - TOTAL UTILITY

GREAT PLAINS NATURAL GAS CO.
LONG-TERM DEBT CAPITAL
DECEMBER 31, 2010

Description	Date of Issuance	Date of Maturity	Interest Rate	Principal Amount of Issue	Gross Proceeds	Underwriters' Commission		Loss on Reacquisition	
						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.

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Line #	Description	2010	2009	2008	2007	2006
	<u>Customer Related</u>					
1	Year End Customers - Residential	1,697	1,689	1,693	1,694	1,686
2	- Firm General	354	352	349	345	344
3	- Small Interruptible	13	13	14	15	16
4	- Large Interruptible	0	0	0	0	0
5	- Other - Transportation 1/	9	9	9	9	9
6	- Total	<u>2,073</u>	<u>2,063</u>	<u>2,065</u>	<u>2,063</u>	<u>2,055</u>
7	Dk Throughput - Residential	133,226	147,266	149,621	137,944	131,597
8	- Firm General	123,182	132,721	136,089	136,770	125,578
9	- Small Interruptible	231,044	157,139	144,874	171,385	210,969
10	- Large Interruptible	0	0	0	0	0
11	- Other - Transportation	<u>1,319,331</u>	<u>1,323,127</u>	<u>1,274,166</u>	<u>1,342,312</u>	<u>1,386,775</u>
12	- Total	<u>1,806,783</u>	<u>1,760,253</u>	<u>1,704,750</u>	<u>1,788,411</u>	<u>1,854,919</u>

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