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April 16, 2012

RECEIVED

APR 16 2012

PUBLIC SERVICE COMMISSION

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

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, 2011 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,

A handwritten signature in cursive script that reads "Rita A. Mulkern".

Rita A. Mulkern
Regulatory Affairs Manager

Enclosures

1 PU-12-153 Filed: 4/16/2012 Pages: 8
2011 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, 2011



A Division of MDU Resources Group, Inc.

In the Community to Serve®

INDEX

- 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	2011 North Dakota	ND % (B / A)	2010 North Dakota	Variance (B-D / D)
<u>Operating Revenues:</u>						
1	Residential	\$15,132,270	\$1,382,974	9.14%	\$1,304,231	6.04%
2	Firm General	10,019,328	1,238,387	12.36%	1,132,651	9.34%
3	Small Interruptible	4,325,424	1,160,606	26.83%	1,061,410	9.35%
4	Large Interruptible	4,991,297				
5	Transportation	1,293,642	137,617	10.64%	139,381	-1.27%
6	Other Operating Revenues	286,167	17,986	6.29%	13,785	30.48%
7	Reserve for Refunds					
8	Unbilled Revenue	(901,469)	(26,471)	2.94%	(89,552)	-70.44%
9	Total Operating Revenues	<u>\$35,146,659</u>	<u>\$3,911,099</u>	11.13%	<u>\$3,561,906</u>	9.80%
<u>Operating Expenses:</u>						
10	Cost of Purchased Gas	\$26,092,638	\$3,139,577	12.03%	\$2,839,809	10.56%
11	Production Expense	50,804	3,902	7.68%	3,978	-1.91%
12	Transmission Expense	68,763	13,263	19.29%	3,997	231.82%
13	Distribution Expense	2,049,323	182,184	8.89%	186,187	-2.15%
14	Customer Accounts Expense	896,118	86,783	9.68%	81,208	6.87%
15	Customer Service & Info. Exp.	127,620	4,563	3.58%	3,852	18.46%
16	Sales Expense	42,585	3,460	8.12%	2,929	18.13%
17	Administration & General Exp.	2,023,993	162,732	8.04%	149,458	8.88%
18	Depreciation Expense	1,434,713	114,799	8.00%	117,560	-2.35%
19	Taxes Other than Income	797,590	41,978	5.26%	41,679	0.72%
20	Total Operating Expenses	<u>\$33,584,147</u>	<u>\$3,753,241</u>	11.18%	<u>\$3,430,657</u>	9.40%
21	Net Operating Income					
22	Before Income Taxes	\$1,562,512	\$157,858	10.10%	\$131,249	20.27%
<u>Income Tax Expense:</u>						
23	Investment Tax Credits					
24	Deferred Income Taxes	\$635,805	\$44,702	7.03%	\$80,537	-44.50%
25	Income Taxes	(306,508)	(7,797)	2.54%	(45,801)	-82.98%
26	Total Income Tax Expense	<u>\$329,297</u>	<u>\$36,905</u>	11.21%	<u>\$34,736</u>	6.24%
27	Net Regulated Earnings	<u>\$1,233,215</u>	<u>\$120,953</u>	9.81%	<u>\$96,513</u>	25.32%

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Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2011 North Dakota	ND % (B / A)	2010 North Dakota	Variance (B-D / D)
	<u>Rate Base:</u>					
1	Plant in Service 1/	\$34,663,681	\$3,235,403	9.33%	\$2,995,526	8.01%
2	Less: Accumulated Depreciation 1/	23,745,988	2,521,267	10.62%	2,481,142	1.62%
3	Add: Construct. Work in Prog. 2/	(311,483)	12,642	-4.06%	7,049	79.34%
4	Net Plant in Service	<u>\$10,606,210</u>	<u>\$726,778</u>	6.85%	<u>\$521,433</u>	<u>39.38%</u>
	<u>Additions:</u>					
5	Materials and Supplies 3/	\$220,049	\$22,514	10.23%	\$21,102	6.69%
6	Prepayments 3/	42,559	3,697	8.69%	3,370	9.70%
7	Gas in Underground Storage 3/	716,022				
8	Fuel Stocks 3/	25,867				
9	Unamortized Loss on Debt 1/	147,526	10,106	6.85%	13,478	-25.02%
10	Total Additions	<u>\$1,152,023</u>	<u>\$36,317</u>	3.15%	<u>\$37,950</u>	<u>-4.30%</u>
	<u>Deductions:</u>					
11	Accum. Deferred Income Taxes 1/	\$1,176,548	\$129,854	11.04%	\$106,049	22.45%
12	Accumulated Deferred ITC's					
13	Cust. Advances for Construct.					
14	Total Deductions	<u>\$1,176,548</u>	<u>\$129,854</u>	11.04%	<u>\$106,049</u>	<u>22.45%</u>
15	Average Rate Base	<u>\$10,581,685</u>	<u>\$633,241</u>	5.98%	<u>\$453,334</u>	39.69%
16	Rate of Return on Avg. Rate Base	11.654%	19.101%		21.290%	
17	Less: Weighted Cost of Debt	3.004%	3.004%		3.087%	
18	Weighted Cost of Pref. Stock	0.109%	0.109%		0.114%	
19	Weighted Return on Equity	8.541%	15.988%		18.089%	
20	% of Equity to Capital Structure	53.999%	53.999%		52.299%	
21	Return on Equity	<u>15.817%</u>	<u>29.608%</u>		<u>34.588%</u>	
22	Return on Equity - Adjusted 4/ 5/		<u>27.562%</u>		<u>29.897%</u>	

1/ Beginning and ending year average.

2/ Completed construction at December 31, 2011 not yet classified.

3/ Thirteen month average.

4/ Adjusted return on equity in 2011 and 2010 reflects exclusion of 401K tax deduction not attributable to utility service and the removal of supplemental insurance and related adjustments.

5/ Adjusted return on equity in 2011 reflects the removal of out of period and closing/filing federal and state income taxes.

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2	Less: Accumulated Depreciation 1/	23,745,988	2,521,267	10.62%	2,481,142	1.62%
3	Add: Construct. Work in Prog. 2/	(311,483)	12,642	-4.06%	7,049	79.34%
4	Net Plant in Service	\$10,606,210	\$726,778	6.85%	\$521,433	39.38%
	<u>Additions:</u>					
5	Materials and Supplies 3/	\$220,049	\$22,514	10.23%	\$21,102	6.69%
6	Prepayments 3/	42,559	3,697	8.69%	3,370	9.70%
7	Gas in Underground Storage 3/	716,022				
8	Fuel Stocks 3/	25,867				
9	Unamortized Loss on Debt 1/	147,526	10,106	6.85%	13,478	-25.02%
10	Total Additions	\$1,152,023	\$36,317	3.15%	\$37,950	-4.30%
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17	Less: Weighted Cost of Debt	3.004%	3.004%		3.087%	
18	Weighted Cost of Pref. Stock	0.109%	0.109%		0.114%	
19	Weighted Return on Equity	8.541%	15.988%		18.089%	
20	% of Equity to Capital Structure	53.999%	53.999%		52.299%	
21	Return on Equity	<u>15.817%</u>	<u>29.608%</u>		<u>34.588%</u>	
22	Return on Equity - Adjusted 4/		<u>27.562%</u>		<u>29.897%</u>	

1/ Beginning and ending year average.

2/ Completed construction at December 31, 2011 not yet classified.

3/ Thirteen month average.

4/ Reflects exclusion of 401K tax deduction not attributable to utility service, the removal of supplemental insurance and related adjustments and the removal of out of period and closing/filing federal and state income taxes.

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Line #	Description	(A) 2011 Average (000's)	(B) Ratio	(C) Cost	(D) Weighted Cost
1	Long-Term Debt 3/	\$280,492	43.316%	6.845%	2.965%
2	Short Term Debt 1/	1,934	0.299%	13.053%	0.039%
3	Preferred Equity	15,450	2.386%	4.588%	0.109%
4	Common Equity	349,672	53.999%	2/	2/
5	Total	<u>\$647,548</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.

3/ Includes additional other long term debt.

II. CAPITAL STRUCTURE - TOTAL UTILITY

GAS UTILITY
PAGE 2 OF 2

GREAT PLAINS NATURAL GAS CO.
LONG-TERM DEBT CAPITAL
DECEMBER 31, 2011

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
Unsecured Long -Term Debt									
6.61% - Senior Note	9/1/2009	9/30/2016	6.610%	\$25,000,000	\$25,000,000	\$68,319	0.273%	\$517,288	2.069%
6.66% - Senior Note	10/1/2009	9/30/2016	6.660%	25,000,000	25,000,000	68,319	0.273%	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>\$1,105,631</u>		<u>\$11,847,253</u>	
Description	Net Proceeds		Cost of Money 1/	Principal Outstanding	Annual Cost	Embedded Cost			
	Amount	Per Unit					Amount	% Gross Proceeds	Amount
Unsecured Long -Term Debt									
6.61% - Senior Note	\$24,414,393	97.658%	7.120%	\$25,000,000	\$1,780,000				
6.66% - Senior Note	24,414,393	97.658%	7.172%	25,000,000	1,793,000				
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>\$267,047,116</u>			<u>\$280,000,000</u>	<u>\$19,129,500</u>		<u>6.832%</u>		

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

GREAT PLAINS NATURAL GAS CO.
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Line #	Description	2011	2010	2009	2008	2007
<u>Customer Related</u>						
1	Year End Customers - Residential	1,717	1,697	1,689	1,693	1,694
2	- Firm General	359	354	352	349	345
3	- Small Interruptible	16	13	13	14	15
4	- Large Interruptible	0	0	0	0	0
5	- Other - Transportation 1/	9	9	9	9	9
6	- Total	<u>2,101</u>	<u>2,073</u>	<u>2,063</u>	<u>2,065</u>	<u>2,063</u>
7	Dk Throughput - Residential	139,430	133,226	147,266	149,621	137,944
8	- Firm General	130,454	123,182	132,721	136,089	136,770
9	- Small Interruptible	245,764	231,044	157,139	144,874	171,385
10	- Large Interruptible	0	0	0	0	0
11	- Other - Transportation	<u>1,281,482</u>	<u>1,319,331</u>	<u>1,323,127</u>	<u>1,274,166</u>	<u>1,342,312</u>
12	- Total	<u>1,797,130</u>	<u>1,806,783</u>	<u>1,760,253</u>	<u>1,704,750</u>	<u>1,788,411</u>

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