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April 16, 2012

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

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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, 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

**NORTH DAKOTA COST OF SERVICE STUDY**

**GREAT PLAINS GAS OPERATIONS**

**2011**

**GREAT PLAINS NATURAL GAS CO.  
INCOME STATEMENT  
GAS UTILITY  
TWELVE MONTHS ENDED DECEMBER 31, 2011**

	Total Company	North Dakota	Other
<b><u>Operating Revenues</u></b>			
Sales Revenues			
Residential	\$15,132,270	\$1,382,974	\$13,749,296
Firm General	10,019,328	1,238,387	8,780,941
Small Interruptible	4,325,424	1,160,606	3,164,818
Large Interruptible	4,991,297		4,991,297
Unbilled Revenue	(901,469)	(26,471)	(874,998)
Total Sales Revenues	<u>\$33,566,850</u>	<u>\$3,755,496</u>	<u>\$29,811,354</u>
Transportation Revenues	1,293,642	137,617	1,156,025
Total Transportation Revenues	<u>\$1,293,642</u>	<u>\$137,617</u>	<u>1,156,025</u>
Other Operating Revenues	286,167	17,986	268,181
Total Operating Revenues	<u>\$35,146,659</u>	<u>\$3,911,099</u>	<u>\$31,235,560</u>
<b><u>Operating Expenses</u></b>			
Operation and Maintenance			
Cost of Purchased Gas	\$26,092,638	\$3,139,577	\$22,953,061
Production	50,804	3,902	46,902
Transmission	68,763	13,263	55,500
Distribution	2,049,323	182,184	1,867,139
Customer Accounts	896,118	86,783	809,335
Customer Service & Information	127,620	4,563	123,057
Sales	42,585	3,460	39,125
Administrative & General	2,023,993	162,732	1,861,261
Total O&M Expenses	<u>\$31,351,844</u>	<u>\$3,596,464</u>	<u>\$27,755,380</u>
Depreciation			
Production	\$11,403		\$11,403
Transmission	5,671	\$539	5,132
Distribution	1,128,084	95,817	1,032,267
General	164,666	9,353	155,313
Common	39,593	3,434	36,159
Amort. of Intangible Plant - General	46,657	2,307	44,350
Amort. of Intangible Plant - Common	38,639	3,349	35,290
Total Depreciation Expense	<u>\$1,434,713</u>	<u>\$114,799</u>	<u>\$1,319,914</u>

**GREAT PLAINS NATURAL GAS CO.  
INCOME STATEMENT  
GAS UTILITY  
TWELVE MONTHS ENDED DECEMBER 31, 2011**

	Total Company	North Dakota	Other
<b><u>Operating Expenses Con't.</u></b>			
Taxes Other Than Income Taxes			
Ad Valorem Taxes			
Production	\$19,750		\$19,750
Transmission	13,963	\$3,113	10,850
Distribution	493,604	17,275	476,329
General	33,515	1,425	32,090
Common	11,843	1,050	10,793
Intangible	60	60	0
Total Ad Valorem Taxes	<u>\$572,735</u>	<u>\$22,923</u>	<u>\$549,812</u>
Other Taxes	224,855	19,055	205,800
Total Taxes Other Than Income Taxes	<u>\$797,590</u>	<u>\$41,978</u>	<u>\$755,612</u>
Current Income Taxes	(306,508)	(7,797)	(298,711)
Deferred Income Taxes	635,805	44,702	591,103
Total Operating Expenses	<u>\$33,913,444</u>	<u>\$3,790,146</u>	<u>\$30,123,298</u>
<b>Operating Income</b>	<u><u>\$1,233,215</u></u>	<u><u>\$120,953</u></u>	<u><u>\$1,112,262</u></u>
<b>Year End Rate Base</b>	<u><u>\$10,729,413</u></u>	<u><u>\$803,197</u></u>	<u><u>\$9,926,216</u></u>
<b>Rate of Return</b>	<u><u>11.49%</u></u>	<u><u>15.06%</u></u>	<u><u>11.21%</u></u>

**GREAT PLAINS NATURAL GAS CO.  
YEAR END RATE BASE  
GAS UTILITY  
TWELVE MONTHS ENDED DECEMBER 31, 2011**

	Total Company	North Dakota	Other
<b><u>Plant in Service</u></b>			
Gas Plant in Service			
Production	\$729,400		\$729,400
Transmission	1,962,280	\$308,465	1,653,815
Distribution	25,942,762	2,748,021	23,194,741
General	4,230,932	177,010	4,053,922
Intangible Plant - General	863,198	54,662	808,536
Common	907,792	78,674	829,118
Intangible Plant - Common	774,799	67,147	707,652
Total Gas Plant in Service	<u>\$35,411,163</u>	<u>\$3,433,979</u>	<u>\$31,977,184</u>
Accumulated Reserve for Depreciation			
Production	\$640,333	(\$2,591)	\$642,924
Transmission	1,602,975	309,254	1,293,721
Distribution	18,633,502	2,036,674	16,596,828
General	1,688,965	43,860	1,645,105
Intangible Plant - General	647,369	54,662	592,707
Common	361,187	31,299	329,888
Intangible Plant - Common	546,768	47,386	499,382
Total Accum. Reserve for Depreciation	<u>\$24,121,099</u>	<u>\$2,520,544</u>	<u>\$21,600,555</u>
Net Gas Plant in Service	\$11,290,064	\$913,435	\$10,376,629
CWIP in Service Pending Reclass.	(311,483)	12,642	(324,125)
Total Gas Plant in Service	<u>\$10,978,581</u>	<u>\$926,077</u>	<u>\$10,052,504</u>
<b><u>Additions</u></b>			
Materials and Supplies	\$187,709	\$21,866	\$165,843
Fuel Stocks	24,954		24,954
Prepayments	44,051	916	43,135
Gas in Underground Storage	946,979		946,979
Unamortized Loss on Debt	135,114	8,785	126,329
Total Additions	<u>\$1,338,807</u>	<u>\$31,567</u>	<u>\$1,307,240</u>
Total Before Deductions	\$12,317,388	\$957,644	\$11,359,744
<b><u>Deductions</u></b>			
Accumulated Deferred Income Taxes	\$1,587,975	\$154,447	\$1,433,528
Accumulated Investment Tax Credits			
Customer Advances			
Total Deductions	<u>\$1,587,975</u>	<u>\$154,447</u>	<u>\$1,433,528</u>
<b>Year End Rate Base</b>	<b><u>\$10,729,413</u></b>	<b><u>\$803,197</u></b>	<b><u>\$9,926,216</u></b>