



UTILITIES CO.
A Division of MDU Resources Group, Inc.

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

RECEIVED

APR 16 2012

PUBLIC SERVICE COMMISSION

April 16, 2012

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, 2011 consisting of:

- ✓ North Dakota Electric and Gas Annual Reports
- North Dakota Electric and Gas Cost of Service Studies
- Report of Independent Public Accountants
- 2011 Annual Report to Stockholders
- FERC Form No. 1

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 Affairs Manager

Enclosures

ANNUAL REPORT

STATE OF NORTH DAKOTA

ELECTRIC OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011



MONTANA-DAKOTA UTILITIES CO.

A Division of MDU Resources Group, Inc.

In the Community to Serve®

INDEX

- I. Intrastate Return on Equity
- II. Capital Structure
- III. Affiliated Transactions
- IV. Miscellaneous Statistics

MONTANA-DAKOTA UTILITIES 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	\$87,881,583	\$53,578,078	60.97%	\$47,650,792	12.44%
2	Small General	26,606,747	10,071,882	37.85%	8,917,747	12.94%
3	Large General 1/	93,316,669	62,111,365	66.56%	57,057,749	8.86%
4	Lighting Service	3,254,386	1,984,377	60.98%	1,878,299	5.65%
5	Municipal Pumping Service	2,410,874	1,899,602	78.79%	1,697,608	11.90%
6	Sales for Resale	1,569,446	1,023,519	65.22%	961,453	6.46%
7	Margin Sharing Adjustment	2,302,945	1,815,479	78.83%	3,266,100	-44.41%
8	Other Operating Revenues	8,794,210	5,453,500	62.01%	4,568,509	19.37%
9	Unbilled Revenue	(1,103,689)	(834,828)	75.64%	2,683,852	-131.11%
10	Reserve for Refunds	(640,000)	(640,000)	100.00%	0	100.00%
11	Total Operating Revenues	\$224,393,171	\$136,462,974	60.81%	\$128,682,109	6.05%
<u>Operating Expenses:</u>						
12	Production Expense	\$89,280,596	\$52,232,446	58.50%	\$50,046,541	4.37%
13	Transmission Expense	9,150,557	6,486,288	70.88%	6,205,045	4.53%
14	Distribution Expense	11,708,697	6,915,801	59.07%	6,054,360	14.23%
15	Customer Accounts Expense	3,622,667	2,170,025	59.90%	2,015,088	7.69%
16	Customer Service & Info. Exp.	405,839	275,987	68.00%	338,485	-18.46%
17	Sales Expense	216,637	155,503	71.78%	82,335	88.87%
18	Administration & General Exp.	19,197,165	11,811,765	61.53%	10,458,854	12.94%
19	Depreciation Expense	32,005,151	21,128,808	66.02%	17,535,619	20.49%
20	Taxes Other than Income	9,434,922	4,826,878	51.16%	4,635,390	4.13%
21	Total Operating Expenses	\$175,022,231	\$106,003,501	60.57%	\$97,371,717	8.86%
23	Net Operating Income					
24	before Income Taxes	\$49,370,940	\$30,459,473	61.70%	\$31,310,392	-2.72%
<u>Income Tax Expense:</u>						
25	Investment Tax Credits					
26	Deferred Income Taxes	\$21,167,194	\$12,994,926	61.39%	\$15,290,604	-15.01%
27	Income Taxes	(13,851,837)	(8,477,328)	61.20%	(8,015,781)	5.76%
28	Total Income Tax Expense	\$7,315,357	\$4,517,598	61.75%	\$7,274,823	-37.90%
29	Net Regulated Earnings	\$42,055,583	\$25,941,875	61.68%	\$24,035,569	7.93%

1/ The North Dakota contract revenue delta associated with this class is shown below. The contract revenue delta is the difference between the revenue collected under all contract rates and the revenue that would have been collected had these loads been charged the standard rate.

	2011	2010
Large General	\$543,909	\$505,930

MONTANA-DAKOTA UTILITIES 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>Rate Base:</u>						
1	Plant in Service	\$1,008,680,732	\$615,502,467	61.02%	\$568,625,188	8.24%
2	Less: Accumulated Depreciation	488,091,223	307,833,183	63.07%	295,031,600	4.34%
3	Add: Construct. Work in Prog. 1/	5,962,484	4,152,609	69.65%	2,509,359	65.48%
4	Net Plant in Service	<u>\$526,551,993</u>	<u>\$311,821,893</u>	59.22%	<u>\$276,102,947</u>	12.94%
<u>Additions:</u>						
5	Materials and Supplies 2/	\$10,000,174	\$6,266,131	62.66%	\$5,173,131	21.13%
6	Fuel Stocks 2/	4,579,497	2,985,281	65.19%	2,906,354	2.72%
7	Prepayments 2/	560,873	351,025	62.59%	378,973	-7.37%
8	Unamortized Loss on Debt	7,101,781	4,464,430	62.86%	4,948,506	-9.78%
9	Total Additions	<u>\$22,242,325</u>	<u>\$14,066,867</u>	63.24%	<u>\$13,406,964</u>	4.92%
<u>Deductions:</u>						
10	Accum. Deferred Income Taxes	\$115,704,068	\$73,329,222	63.38%	\$57,849,727	26.76%
11	Accumulated Deferred ITCs	822,624	820,877	99.79%	435,570	88.46%
12	Cust. Advances for Construct. 2/	2,822,986	285,841	10.13%	223,097	28.12%
13	Total Deductions	<u>\$119,349,678</u>	<u>\$74,435,940</u>	62.37%	<u>\$58,508,394</u>	27.22%
14	Average Rate Base	<u>\$429,444,640</u>	<u>\$251,452,820</u>	58.55%	<u>\$231,001,517</u>	8.85%
15	Rate of Return on Avg. Rate Base	9.793%	10.317%		10.405%	
16	Less: Weighted Cost of Debt	3.004%	3.004%		3.087%	
17	Weighted Cost of Pref. Stock	<u>0.109%</u>	<u>0.109%</u>		<u>0.114%</u>	
18	Weighted Return on Equity	6.680%	7.204%		7.204%	
19	% of Equity to Capital Structure	<u>53.999%</u>	<u>53.999%</u>		<u>52.299%</u>	
20	Return on Equity	<u>12.371%</u>	<u>13.341%</u>		<u>13.775%</u>	
21	Return on Equity - Adjusted 3/ 4/		<u>12.447%</u>		<u>12.903%</u>	

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

2/ Thirteen month average.

3/ 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.

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

MONTANA-DAKOTA UTILITIES CO.
ANNUAL REPORT
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

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

MONTANA-DAKOTA UTILITIES 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 Reacquirement Redemption and Issuance Expense	
						Amount	% Gross Proceeds	Amount	% Gross Proceeds
<u>Unsecured Long -Term Debt</u>									
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				
<u>Unsecured Long -Term Debt</u>						
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.

MONTANA-DAKOTA UTILITIES CO.
ANNUAL REPORT TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

Line #	Description	2011	2010	2009	2008	2007
	<u>Customer Related</u>					
1	Year End Customers - Residential	65,517	63,751	62,221	61,784	61,096
2	- Small General	9,223	9,061	8,800	8,749	10,163
3	- Large General	3,224	3,110	3,052	2,958	1,655
4	- Lighting Service	1,057	1,015	968	920	588
5	- Municipal Pumping	297	301	305	297	300
6	- Cogeneration	1	1	3	2	2
7	- Total	79,319	77,239	75,349	74,710	73,804
8	Kwh's Sold - Residential	674,460,201	621,695,161	599,264,994	576,812,796	560,762,294
9	- Small General	112,307,071	102,044,214	99,486,018	95,767,826	93,314,822
10	- Large General	873,234,356	829,671,355	810,812,361	825,308,596	793,457,649
11	- Lighting Service	26,330,673	26,413,683	26,065,109	26,622,675	26,268,694
12	- Municipal Pumping	31,741,883	29,124,039	29,665,307	29,185,811	29,433,458
13	- Cogeneration	51,116	34,419	10,164	14,480	12,885
14	- Total	1,718,125,300	1,608,982,871	1,565,303,953	1,553,712,184	1,503,249,802
15	IEEE Standards SAIFI 1/	0.255	0.470	0.340	0.481	0.580
16	SAIDI 1/	32.26	45.17	39.29	51.66	65.02

1/ 2011 SAIFI and SAIDI reflect North Dakota operations. Year 2007-2010 SAIFI and SAIDI reflect total company statistics.

MONTANA-DAKOTA UTILITIES CO.
ANNUAL REPORT
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION
MAJOR TRANSACTIONS

Line #	Affiliate's Name	General Description of Service Rendered and/or Supplied	Revenue or (Expense)	
			Total Company	Allocated to North Dakota
1	Knife River Corporation	Electric Sales	\$57,782	\$57,782
2		Natural Gas Sales	23,013	23,013
3	Williston Basin Interstate Pipeline Company	Electric Sales	1,612,081	236,351
4		Natural Gas Pipeline Services	(38,385,411)	(15,876,620)
5		Natural Gas Sales	31,374	5,567
6	FutureSource	Electric Sales	156,212	156,212
7		Natural Gas Sales	13,309	13,309
8	Fidelity Exploration & Production Company	Electric Sales	97,570	0
9		Natural Gas Sales	4,278	0
10	Prairielands Energy Marketing, Inc.	Natural Gas Purchases	(16,040,744)	(7,001,294)
11	Bitter Creek Pipeline	Electric Sales	4,720	0
12		Natural Gas Sales	7,063	0
13	JTL Group	Natural Gas Sales	28,200	0
14	Total Corrosion Solution	Natural Gas Sales	2,627	0
	Total		<u>(52,387,926)</u>	<u>(22,385,680)</u>