

ANNUAL REPORT



STATE OF NORTH DAKOTA

GREAT PLAINS NATURAL GAS CO.

FOR THE YEAR ENDED DECEMBER 31, 2012



A Division of MDU Resources Group, Inc.

In the Community to Serve®

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

Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2012 North Dakota	ND % (B / A)	2011 North Dakota	Variance (B-D / D)
<u>Operating Revenues:</u>						
1	Residential	\$10,947,908	\$1,039,172	9.49%	\$1,382,974	-24.86%
2	Firm General	7,190,950	887,757	12.35%	1,238,387	-28.31%
3	Small Interruptible	3,584,991	1,164,905	32.49%	1,160,606	0.37%
4	Large Interruptible	3,577,677				
5	Transportation	1,118,625	139,431	12.46%	137,617	1.32%
6	Other Operating Revenues	363,426	20,458	5.63%	17,986	13.74%
7	Reserve for Refunds					
8	Unbilled Revenue	850,521	111,526	13.11%	(26,471)	-521.31%
9	Total Operating Revenues	<u>\$27,634,098</u>	<u>\$3,363,249</u>	12.17%	<u>\$3,911,099</u>	-14.01%
<u>Operating Expenses:</u>						
10	Cost of Purchased Gas	\$19,160,293	\$2,508,005	13.09%	\$3,139,577	-20.12%
11	Production Expense	42,088	4,033	9.58%	3,902	3.36%
12	Transmission Expense	56,556	13,749	24.31%	13,263	3.66%
13	Distribution Expense	2,232,929	228,707	10.24%	182,184	25.54%
14	Customer Accounts Expense	807,457	71,675	8.88%	86,783	-17.41%
15	Customer Service & Info. Exp.	158,131	5,800	3.67%	4,563	27.11%
16	Sales Expense	51,136	3,927	7.68%	3,460	13.50%
17	Administration & General Exp.	2,040,539	172,237	8.44%	162,732	5.84%
18	Depreciation Expense	1,456,104	139,180	9.56%	114,799	21.24%
19	Taxes Other than Income	860,526	52,051	6.05%	41,978	24.00%
20	Total Operating Expenses	<u>\$26,865,759</u>	<u>\$3,199,364</u>	11.91%	<u>\$3,753,241</u>	-14.76%
21	Net Operating Income					
22	Before Income Taxes	\$768,339	\$163,885	21.33%	\$157,858	3.82%
<u>Income Tax Expense:</u>						
23	Investment Tax Credits					
24	Deferred Income Taxes	\$562,356	\$95,691	17.02%	\$44,702	114.06%
25	Income Taxes	(427,099)	(42,492)	9.95%	(7,797)	444.98%
26	Total Income Tax Expense	<u>\$135,257</u>	<u>\$53,199</u>	39.33%	<u>\$36,905</u>	44.15%
27	Net Regulated Earnings	<u><u>\$633,082</u></u>	<u><u>\$110,686</u></u>	17.48%	<u><u>\$120,953</u></u>	-8.49%

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Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2012 North Dakota	ND % (B / A)	2011 North Dakota	Variance (B-D / D)
	<u>Rate Base:</u>					
1	Plant in Service 1/	\$36,432,577	\$3,651,149	10.02%	\$3,235,403	12.85%
2	Less: Accumulated Depreciation 1/	24,506,711	2,625,265	10.71%	2,521,267	4.12%
3	Add: Construct. Work in Prog. 2/	616,373	47,154	7.65%	12,642	272.99%
4	Net Plant in Service	\$12,542,239	\$1,073,038	8.56%	\$726,778	47.64%
	<u>Additions:</u>					
5	Materials and Supplies 3/	\$315,891	\$38,247	12.11%	\$22,514	69.88%
6	Prepayments 3/	59,532	4,463	7.50%	3,697	20.72%
7	Gas in Underground Storage 3/	433,315				
8	Fuel Stocks 3/	23,034				
9	Unamortized Loss on Debt 1/	135,422	11,016	8.13%	10,106	9.00%
10	Total Additions	\$967,194	\$53,726	5.55%	\$36,317	47.94%
	<u>Deductions:</u>					
11	Accum. Deferred Income Taxes 1/	\$1,816,904	\$207,650	11.43%	\$129,854	59.91%
12	Accumulated Deferred ITC's					
13	Cust. Advances for Construct.					
14	Total Deductions	\$1,816,904	\$207,650	11.43%	\$129,854	59.91%
15	Average Rate Base	<u>\$11,692,529</u>	<u>\$919,114</u>	7.86%	<u>\$633,241</u>	45.14%
16	Rate of Return on Avg. Rate Base	5.414%	12.043%		19.101%	
17	Less: Weighted Cost of Debt	2.832%	2.832%		3.004%	
18	Weighted Cost of Pref. Stock	0.102%	0.102%		0.109%	
19	Weighted Return on Equity	2.480%	9.109%		15.988%	
20	% of Equity to Capital Structure	53.382%	53.382%		53.999%	
21	Return on Equity	<u>4.646%</u>	<u>17.064%</u>		<u>29.608%</u>	

1/ Beginning and ending year average.

2/ Completed construction at December 31, 2012 not yet classified.

3/ Thirteen month average.

II. AVERAGE CAPITAL STRUCTURE - TOTAL UTILITY

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Line #	Description	(A) 2012 Average (000's)	(B) Ratio	(C) Cost	(D) Weighted Cost
1	Long-Term Debt 3/	\$280,485	40.5971%	6.846%	2.779%
2	Short Term Debt 1/	26,206	3.7930%	1.406%	0.053%
3	Preferred Equity	15,393	2.2280%	4.585%	0.102%
4	Common Equity	368,815	53.3819%	2/	2/
5	Total	<u>\$690,899</u>	<u>100.0000%</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

GREAT PLAINS NATURAL GAS CO.
LONG-TERM DEBT CAPITAL
DECEMBER 31, 2012

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 Procee
Unsecured Long -Term Debt									
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					Amount	% Gross Procee	% Gross Procee
Unsecured Long -Term Debt									
6.61% - Senior Note	\$24,423,218	97.693%	7.120%	\$25,000,000	\$1,780,000				
6.66% - Senior Note	24,423,218	97.693%	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>\$267,064,766</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.

III. MISCELLANEOUS

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Line #	Description	2012	2011	2010	2009	2008
	<u>Customer Related</u>					
1	Year End Customers - Residential	1,741	1,717	1,697	1,689	1,693
2	- Firm General	365	359	354	352	349
3	- Small Interruptible	17	16	13	13	14
4	- Large Interruptible	0	0	0	0	0
5	- Other - Transportation 1/	9	9	9	9	9
6	- Total	<u>2,132</u>	<u>2,101</u>	<u>2,073</u>	<u>2,063</u>	<u>2,065</u>
7	Dk Throughput - Residential	116,351	139,430	133,226	147,266	149,621
8	- Firm General	107,274	130,454	123,182	132,721	136,089
9	- Small Interruptible	329,900	245,764	231,044	157,139	144,874
10	- Large Interruptible	0	0	0	0	0
11	- Other - Transportation	<u>1,280,574</u>	<u>1,281,482</u>	<u>1,319,331</u>	<u>1,323,127</u>	<u>1,274,166</u>
12	- Total	<u>1,834,099</u>	<u>1,797,130</u>	<u>1,806,783</u>	<u>1,760,253</u>	<u>1,704,750</u>

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