

ANNUAL REPORT

STATE OF NORTH DAKOTA

GREAT PLAINS NATURAL GAS CO.

FOR THE YEAR ENDED DECEMBER 31, 2014



A Division of MDU Resources Group, Inc.

In the Community to Serve[®]

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- I. Intrastate Return on Equity
- II. Capital Structure
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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)
		2014 Total Company	2014 North Dakota	ND % (B / A)	2013 North Dakota	Variance (B-D / D)
<u>Operating Revenues:</u>						
1	Residential	\$17,211,151	\$1,597,657	9.28%	\$1,238,808	28.97%
2	Firm General	11,522,716	1,387,361	12.04%	1,071,390	29.49%
3	Small Interruptible	7,410,290	2,747,414	37.08%	2,282,086	20.39%
4	Large Interruptible	4,975,121				
5	Transportation	1,050,934	149,938	14.27%	149,669	0.18%
6	Other Operating Revenues	501,593	34,240	6.83%	28,762	19.05%
7	Reserve for Refunds					
8	Unbilled Revenue	174,030	63,883	36.71%	54,518	17.18%
9	Total Operating Revenues	\$42,845,835	\$5,980,493	13.96%	\$4,825,233	23.94%
<u>Operating Expenses:</u>						
10	Cost of Purchased Gas	\$33,181,740	\$5,010,919	15.10%	\$3,751,923	33.56%
11	Production Expense	77,875	11,044	14.18%	4,145	166.44%
12	Transmission Expense	25,962	6,235	24.02%	3,813	63.52%
13	Distribution Expense	2,441,287	287,306	11.77%	259,679	10.64%
14	Customer Accounts Expense	1,004,599	84,828	8.44%	69,351	22.32%
15	Customer Service & Info. Exp.	154,794	6,648	4.29%	4,705	41.30%
16	Sales Expense	41,060	3,778	9.20%	4,258	-11.27%
17	Administration & General Exp.	2,101,900	200,727	9.55%	191,830	4.64%
18	Depreciation Expense	1,485,352	152,481	10.27%	131,747	15.74%
19	Taxes Other than Income	797,722	58,121	7.29%	53,579	8.48%
20	Total Operating Expenses	\$41,312,291	\$5,822,087	14.09%	\$4,475,030	30.10%
21	Net Operating Income					
22	Before Income Taxes	\$1,533,544	\$158,406	10.33%	\$350,203	-54.77%
<u>Income Tax Expense:</u>						
23	Investment Tax Credits					
24	Deferred Income Taxes	\$2,224,474	\$274,372	12.33%	(\$39,338)	-797.47%
25	Income Taxes	(1,720,961)	(236,988)	13.77%	191,635	-223.67%
26	Total Income Tax Expense	\$503,513	\$37,384	7.42%	\$152,297	-75.45%
27	Net Regulated Earnings	\$1,030,031	\$121,022	11.75%	\$197,906	-38.85%

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

Line #	Description	(A)	(B)	(C)	(D)	(E)
		Total Company	2014 North Dakota	ND % (B / A)	2013 North Dakota	Variance (B-D / D)
<u>Rate Base:</u>						
1	Plant in Service 1/	\$41,883,339	\$4,620,914	11.03%	\$4,142,069	11.56%
2	Less: Accumulated Depreciation 1/	26,555,988	2,850,653	10.73%	2,778,688	2.59%
3	Net Plant in Service	\$15,327,351	\$1,770,261	11.55%	\$1,363,381	29.84%
<u>Additions:</u>						
4	Materials and Supplies 2/	\$486,113	\$63,100	12.98%	\$49,820	26.66%
5	Prepayments 2/	72,800	5,123	7.04%	4,547	12.68%
6	Gas in Underground Storage 2/	567,220				
7	Unamortized Loss on Debt 1/	113,151	12,451	11.00%	13,160	-5.39%
8	Total Additions	\$1,239,284	\$80,674	6.51%	\$67,527	19.47%
<u>Deductions:</u>						
9	Accum. Deferred Income Taxes 1/	\$2,982,252	\$541,050	18.14%	\$357,676	51.27%
10	Accumulated Deferred ITC's					
11	Cust. Advances for Construct.	480,445				
12	Total Deductions	\$3,462,697	\$541,050	15.63%	\$357,676	51.27%
13	Average Rate Base	<u>\$13,103,938</u>	<u>\$1,309,885</u>	10.00%	<u>\$1,073,232</u>	22.05%
14	Rate of Return on Avg. Rate Base	7.860%	9.239%		18.440%	
15	Less: Weighted Cost of Debt	2.547%	2.547%		2.509%	
16	Weighted Cost of Pref. Stock	0.076%	0.076%		0.088%	
17	Weighted Return on Equity	5.237%	6.616%		15.843%	
18	% of Equity to Capital Structure	51.769%	51.769%		50.566%	
19	Return on Equity	<u>10.116%</u>	<u>12.780%</u>		<u>31.331%</u>	

1/ Beginning and ending year average.

2/ Thirteen month average.

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

Line #	Description	(A) 2014 Average (000's)	(B) Ratio	(C) Cost	(D) Weighted Cost
1	Long-Term Debt 1/	\$392,969	42.556%	5.870%	2.498%
2	Short Term Debt 2/	37,100	4.017%	1.213%	0.049%
3	Preferred Equity	15,308	1.658%	4.581%	0.076%
4	Common Equity	<u>478,047</u>	<u>51.769%</u>	3/	<u>3/</u>
5	Total	<u><u>\$923,424</u></u>	<u><u>100.000%</u></u>		<u><u>3/</u></u>

1/ Includes additional other long term debt.

2/ Reflects monthly average short term debt.

3/ Return on equity is calculated in Section I, page 2 of 2

II. CAPITAL STRUCTURE - TOTAL UTILITY

GREAT PLAINS NATURAL GAS CO.
LONG-TERM DEBT CAPITAL
DECEMBER 31, 2014

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
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	\$68,308	0.273%	\$517,287	2.069%
6.66% - Senior Note	10/1/2009	9/30/2016	6.660%	25,000,000	25,000,000	68,308	0.273%	517,287	2.069%
5.98% - Senior Note	12/15/2003	12/15/2033	5.980%	30,000,000	30,000,000	624,465	2.082%	0	0.000%
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%
5.18% - Senior Note	4/15/2014	4/15/2044	5.180%	50,000,000	50,000,000	239,178	0.478%	0	0.000%
4.24% - Senior Note	7/15/2014	7/15/2024	4.240%	60,000,000	60,000,000	289,913	0.483%	0	0.000%
4.34% - Senior Note	7/15/2014	7/15/2026	4.340%	40,000,000	40,000,000	195,691	0.489%	0	0.000%
Total Long-Term Debt Capital				<u>\$430,000,000</u>	<u>\$430,000,000</u>	<u>\$2,192,356</u>		<u>\$11,566,583</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	\$24,414,405	97.658%	7.120%	\$25,000,000	\$1,780,000	
6.66% - Senior Note	24,414,405	97.658%	7.172%	25,000,000	1,793,000	
5.98% - Senior Note	29,375,535	97.918%	6.210%	30,000,000	1,863,000	
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	
5.18% - Senior Note	49,760,822	99.522%	5.280%	50,000,000	2,640,000	
4.24% - Senior Note	59,710,087	99.517%	4.346%	60,000,000	2,607,600	
4.34% - Senior Note	39,804,309	99.511%	4.440%	40,000,000	1,776,000	
Total Long-Term Debt Capital	<u>\$416,241,061</u>			<u>\$430,000,000</u>	<u>\$26,154,600</u>	<u>6.082%</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

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

Line #	Description	2014	2013	2012	2011	2010
	<u>Customer Related</u>					
1	Year End Customers - Residential	1,760	1,753	1,741	1,717	1,697
2	- Firm General	380	373	365	359	354
3	- Small Interruptible	17	17	17	16	13
4	- Large Interruptible	0	0	0	0	0
5	- Other - Transportation 1/	9	9	9	9	9
6	- Total	<u>2,166</u>	<u>2,152</u>	<u>2,132</u>	<u>2,101</u>	<u>2,073</u>
7	Dk Throughput - Residential	162,753	155,353	116,351	139,430	133,226
8	- Firm General	148,972	142,223	107,274	130,454	123,182
9	- Small Interruptible	408,500	498,956	329,900	245,764	231,044
10	- Large Interruptible	0	0	0	0	0
11	- Other - Transportation	<u>1,344,914</u>	<u>1,361,572</u>	<u>1,280,574</u>	<u>1,281,482</u>	<u>1,319,331</u>
12	- Total	<u>2,065,139</u>	<u>2,158,104</u>	<u>1,834,099</u>	<u>1,797,130</u>	<u>1,806,783</u>

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

NORTH DAKOTA COST OF SERVICE STUDY

GREAT PLAINS GAS OPERATIONS

2014

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2014**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Other</u>
<u>Operating Revenues</u>			
Sales Revenues			
Residential	\$17,211,151	\$1,597,657	\$15,613,494
Firm General	11,522,716	1,387,361	10,135,355
Small Interruptible	7,410,290	2,747,414	4,662,876
Large Interruptible	4,975,121		4,975,121
Unbilled Revenue	174,030	63,883	110,147
Total Sales Revenues	<u>\$41,293,308</u>	<u>\$5,796,315</u>	<u>\$35,496,993</u>
Transportation Revenues	1,050,934	149,938	900,996
Total Transportation Revenues	<u>\$1,050,934</u>	<u>\$149,938</u>	<u>900,996</u>
Other Operating Revenues	501,593	34,240	467,353
Total Operating Revenues	<u>\$42,845,835</u>	<u>\$5,980,493</u>	<u>\$36,865,342</u>
<u>Operating Expenses</u>			
Operation and Maintenance			
Cost of Purchased Gas	\$33,181,740	\$5,010,919	\$28,170,821
Production	77,875	11,044	66,831
Transmission	25,962	6,235	19,727
Distribution	2,441,287	287,306	2,153,981
Customer Accounts	1,004,599	84,828	919,771
Customer Service & Information	154,794	6,648	148,146
Sales	41,060	3,778	37,282
Administrative & General	2,101,900	200,727	1,901,173
Total O&M Expenses	<u>\$39,029,217</u>	<u>\$5,611,485</u>	<u>\$33,417,732</u>
Depreciation			
Transmission	\$40,406	\$7,759	\$32,647
Distribution	1,244,430	129,022	1,115,408
General	87,472	5,056	82,416
Common	54,758	5,987	48,771
Amort. of Intangible Plant - General	15,694	0	15,694
Amort. of Intangible Plant - Common	42,592	4,657	37,935
Total Depreciation Expense	<u>\$1,485,352</u>	<u>\$152,481</u>	<u>\$1,332,871</u>

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2014**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Other</u>
<u>Operating Expenses Con't.</u>			
Taxes Other Than Income Taxes			
Ad Valorem Taxes			
Production	(\$18,000)	\$0	(\$18,000)
Transmission	17,187	4,476	12,711
Distribution	486,353	25,104	461,249
General	71,275	2,791	68,484
Common	16,206	1,735	14,471
Intangible	54	54	0
Total Ad Valorem Taxes	<u>\$573,075</u>	<u>\$34,160</u>	<u>\$538,915</u>
Other Taxes	<u>224,647</u>	<u>23,961</u>	<u>200,686</u>
Total Taxes Other Than Income Taxes	<u>\$797,722</u>	<u>\$58,121</u>	<u>\$739,601</u>
Current Income Taxes	(1,720,961)	(236,988)	(1,483,973)
Deferred Income Taxes	<u>2,224,474</u>	<u>274,372</u>	<u>1,950,102</u>
Total Operating Expenses	<u>\$41,815,804</u>	<u>\$5,859,471</u>	<u>\$35,956,333</u>
Operating Income	<u><u>\$1,030,031</u></u>	<u><u>\$121,022</u></u>	<u><u>\$909,009</u></u>
Year End Rate Base	<u><u>\$13,198,248</u></u>	<u><u>\$1,386,155</u></u>	<u><u>\$11,812,093</u></u>
Rate of Return	<u><u>7.80%</u></u>	<u><u>8.73%</u></u>	<u><u>7.70%</u></u>

**GREAT PLAINS NATURAL GAS CO.
YEAR END RATE BASE
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2014**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Other</u>
<u>Plant in Service</u>			
Gas Plant in Service			
Transmission	2,354,137	\$783,275	1,570,862
Distribution	33,160,664	3,589,748	29,570,916
General	5,180,086	204,544	4,975,542
Intangible Plant - General	784,828	58,730	726,098
Common	1,070,190	116,966	953,224
Intangible Plant - Common	665,583	72,745	592,838
Total Gas Plant in Service	<u>\$43,215,488</u>	<u>\$4,826,008</u>	<u>\$38,389,480</u>
Accumulated Reserve for Depreciation			
Production	\$0	\$0	\$0
Transmission	1,681,037	422,099	1,258,938
Distribution	21,390,471	2,268,647	19,121,824
General	2,463,948	45,307	2,418,641
Intangible Plant - General	616,117	58,730	557,387
Common	454,189	49,776	404,413
Intangible Plant - Common	380,162	42,977	337,185
Total Accum. Reserve for Depreciation	<u>\$26,985,924</u>	<u>\$2,887,536</u>	<u>\$24,098,388</u>
Total Gas Plant in Service	\$16,229,564	\$1,938,472	\$14,291,092
<u>Additions</u>			
Materials and Supplies	\$441,784	\$62,094	\$379,690
Fuel Stocks	0	0	0
Prepayments	38,977	1,361	37,616
Gas in Underground Storage	624,847	0	624,847
Unamortized Loss on Debt	98,265	11,828	86,437
Total Additions	<u>\$1,203,873</u>	<u>\$75,283</u>	<u>\$1,128,590</u>
Total Before Deductions	\$17,433,437	\$2,013,755	\$15,419,682
<u>Deductions</u>			
Accumulated Deferred Income Taxes	\$3,601,767	\$627,600	\$2,974,167
Customer Advances	633,422	0	633,422
Total Deductions	<u>\$4,235,189</u>	<u>\$627,600</u>	<u>\$3,607,589</u>
Year End Rate Base	<u><u>\$13,198,248</u></u>	<u><u>\$1,386,155</u></u>	<u><u>\$11,812,093</u></u>

**REPORT OF INDEPENDENT
PUBLIC ACCOUNTANTS**

2014



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INDEPENDENT ACCOUNTANTS' REPORT

To the Managing Committee of
Great Plains Natural Gas Co.:

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We have examined the accompanying schedule of Cost of Gas Adjustment Factors (the "Schedule") of Great Plains Natural Gas Co. (the "Company"), a wholly-owned subsidiary of MDU Resources Group Inc., for the period from January 1, 2014 through December 31, 2014. This Schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, such Schedule presents, in all material respects, the cost of gas adjustment factors of the Company for the period from January 1, 2014 to December 31, 2014, as calculated in accordance with the criteria established by the North Dakota Public Service Commission (the "Commission") and based upon Chapter 69-09-01-30 of the North Dakota Administrative Code (the "Code"), North Dakota Century Code 49-05-05, and the Cost of Gas Rates (the "Tariffs") filed by the Company with the Commission.

Our report is intended solely for the information and use of the Managing Committee of the Company and the Commission and is not intended to be and should not be used by anyone other than these specified parties.

April 2, 2015

GREAT PLAINS NATURAL GAS CO.

SCHEDULE OF 2014 COST OF GAS ADJUSTMENT FACTORS

Effective for the Month of:	Adjustments per mcf	
	Firm	Interruptible
January	\$ 2.1518	\$ (0.2201)
February	4.8229	2.4510
March	6.6869	4.3150
April	2.1664	(0.2055)
May	2.0051	(0.3594)
June	2.1931	0.3860
July	2.3352	0.5281
August	1.5338	(0.2733)
September	1.7111	(0.0960)
October	1.6474	(0.1597)
November	1.4476	(0.3595)
December	2.8691	1.0380