

ANNUAL REPORT

STATE OF NORTH DAKOTA

GREAT PLAINS NATURAL GAS CO.

FOR THE YEAR ENDED DECEMBER 31, 2015



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)
		2015 Total Company	2015 North Dakota	ND % (B / A)	2014 North Dakota	Variance (B-D / D)
	<u>Operating Revenues:</u>					
1	Residential	\$11,753,510	\$1,034,776	8.80%	\$1,597,657	-35.23%
2	Firm General	8,709,638	887,145	10.19%	1,387,361	-36.06%
3	Small Interruptible	4,914,224	1,951,302	39.71%	2,747,414	-28.98%
4	Large Interruptible	2,221,865				
5	Transportation	1,333,045	146,856	11.02%	149,938	-2.06%
6	Other Operating Revenues	379,668	29,362	7.73%	34,240	-14.25%
7	Reserve for Refunds					
8	Unbilled Revenue	(866,804)	(245,412)	28.31%	63,883	-484.16%
9	Total Operating Revenues	\$28,445,146	\$3,804,029	13.37%	\$5,980,493	-36.39%
	<u>Operating Expenses:</u>					
10	Cost of Purchased Gas	\$19,506,414	\$2,875,721	14.74%	\$5,010,919	-42.61%
11	Production Expense	83,715	11,748	14.03%	11,044	6.37%
12	Transmission Expense	56,932	13,599	23.89%	6,235	118.11%
13	Distribution Expense	2,437,309	277,364	11.38%	287,306	-3.46%
14	Customer Accounts Expense	1,045,325	87,996	8.42%	84,828	3.73%
15	Customer Service & Info. Exp.	172,407	7,923	4.60%	6,648	19.18%
16	Sales Expense	43,060	4,402	10.22%	3,778	16.52%
17	Administration & General Exp.	2,241,305	224,310	10.01%	200,727	11.75%
18	Depreciation Expense	1,759,184	185,127	10.52%	152,481	21.41%
19	Taxes Other than Income	875,291	60,309	6.89%	58,121	3.76%
20	Total Operating Expenses	\$28,220,942	\$3,748,499	13.28%	\$5,822,087	-35.62%
21	Net Operating Income					
22	Before Income Taxes	\$224,204	\$55,530	24.77%	\$158,406	-64.94%
	<u>Income Tax Expense:</u>					
23	Investment Tax Credits					
24	Deferred Income Taxes	(\$1,803,460)	(\$404,713)	22.44%	\$274,372	-247.51%
25	Income Taxes	1,577,854	426,674	27.04%	(236,988)	-280.04%
26	Total Income Tax Expense	(\$225,606)	\$21,961	-9.73%	\$37,384	-41.26%
27	Net Regulated Earnings	\$449,810	\$33,569	7.46%	\$121,022	-72.26%

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

Line #	Description	(A)	(B)	(C)	(D)	(E)
		2015 Total Company	2015 North Dakota	ND % (B / A)	2014 North Dakota	Variance (B-D / D)
	<u>Rate Base:</u>					
1	Plant in Service 1/	\$46,719,301	\$5,201,287	11.13%	\$4,620,914	12.56%
2	Less: Accumulated Depreciation 1/	27,400,250	2,945,056	10.75%	2,850,653	3.31%
3	Net Plant in Service	\$19,319,051	\$2,256,231	11.68%	\$1,770,261	27.45%
	<u>Additions:</u>					
4	Materials and Supplies 2/	\$459,917	\$53,461	11.62%	\$63,100	-15.28%
5	Prepayments 2/	72,684	6,229	8.57%	5,123	21.59%
6	Gas in Underground Storage 2/	352,680				
7	Unamortized Loss on Debt 1/	91,587	11,381	12.43%	12,451	-8.59%
8	Total Additions	\$976,868	\$71,071	7.28%	\$80,674	-11.90%
	<u>Deductions:</u>					
9	Accum. Deferred Income Taxes 1/	\$3,141,126	\$486,572	15.49%	\$541,050	-10.07%
10	Accumulated Deferred ITC's	0	0			
11	Cust. Advances for Construct.	783,422	96,483	12.32%		100.00%
12	Total Deductions	\$3,924,548	\$583,055	14.86%	\$541,050	7.76%
13	Average Rate Base	<u>\$16,371,371</u>	<u>\$1,744,247</u>	10.65%	<u>\$1,309,885</u>	33.16%
14	Rate of Return on Avg. Rate Base	2.748%	1.925%		9.239%	
15	Less: Weighted Cost of Debt	2.494%	2.494%		2.547%	
16	Weighted Cost of Pref. Stock	0.058%	0.058%		0.076%	
17	Weighted Return on Equity	0.196%	-0.627%		6.616%	
18	% of Equity to Capital Structure	49.171%	49.171%		51.769%	
19	Return on Equity	<u>0.399%</u>	<u>-1.275%</u>		<u>12.780%</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) 2015 Average (000's)	(B) Ratio	(C) Cost	(D) Weighted Cost
1	Long-Term Debt 1/	\$505,461	41.845%	5.789%	2.422%
2	Short Term Debt 2/	93,216	7.717%	0.937%	0.072%
3	Preferred Equity	15,308	1.267%	4.581%	0.058%
4	Common Equity	<u>593,956</u>	<u>49.171%</u>	3/	<u>3/</u>
5	Total	<u>\$1,207,941</u>	<u>100.000%</u>		<u>3/</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

GAS UTILITY
PAGE 2 OF 2

GREAT PLAINS NATURAL GAS CO.
LONG-TERM DEBT CAPITAL
DECEMBER 31, 2015

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	\$68,308	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	362,431	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	291,263	0.485%	0	0.000%
4.34% - Senior Note	7/15/2014	7/15/2026	4.340%	40,000,000	40,000,000	197,042	0.493%	0	0.000%
3.78% - Senior Note	10/29/2015	10/30/2025	3.780%	87,000,000	87,000,000	465,946	0.536%	0	0.000%
4.87% - Senior Note	10/29/2015	10/30/2045	4.870%	11,000,000	11,000,000	58,886	0.535%	0	0.000%
4.03% - Senior Note	12/10/2015	12/10/2030	4.030%	52,000,000	52,000,000	278,523	0.536%	0	0.000%
Total Long-Term Debt Capital				<u>\$580,000,000</u>	<u>\$580,000,000</u>	<u>\$2,998,411</u>		<u>\$11,566,583</u>	

Description	Net Proceeds		Cost of Money 1/	Principal Outstanding	Annual Cost	Embedded Cost
	Amount	Per Unit				
Unsecured Long Term Debt						
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	99,637,569	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	59,708,737	99.515%	4.346%	60,000,000	2,607,600	
4.34% - Senior Note	39,802,958	99.507%	4.440%	40,000,000	1,776,800	
3.78% - Senior Note	86,534,054	99.464%	3.883%	87,000,000	3,378,210	
4.87% - Senior Note	10,941,114	99.465%	4.964%	11,000,000	546,040	
4.03% - Senior Note	51,721,477	99.464%	4.120%	52,000,000	2,142,400	
Total Long-Term Debt Capital	<u>\$565,435,006</u>			<u>\$580,000,000</u>	<u>\$32,222,050</u>	<u>5.556%</u>

1/ Yield to maturity based upon the life, net proceeds, semiannual compounding of stated interest rate.

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

Line #	Description	2015	2014	2013	2012	2011
	<u>Customer Related</u>					
1	Year End Customers - Residential	1,783	1,760	1,753	1,741	1,717
2	- Firm General	383	380	373	365	359
3	- Small Interruptible	16	17	17	17	16
4	- Large Interruptible	0	0	0	0	0
5	- Other - Transportation 1/	9	9	9	9	9
6	- Total	2,191	2,166	2,152	2,132	2,101
7	Dk Throughput - Residential	130,682	162,753	155,353	116,351	139,430
8	- Firm General	125,000	148,972	142,223	107,274	130,454
9	- Small Interruptible	419,718	408,500	498,956	329,900	245,764
10	- Large Interruptible	0	0	0	0	0
11	- Other - Transportation	1,295,595	1,344,914	1,361,572	1,280,574	1,281,482
12	- Total	1,970,995	2,065,139	2,158,104	1,834,099	1,797,130

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

NORTH DAKOTA COST OF SERVICE STUDY

GREAT PLAINS GAS OPERATIONS

2015

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2015**

	Total Company	North Dakota	Other
<u>Operating Revenues</u>			
Sales Revenues			
Residential	\$11,753,510	\$1,034,776	\$10,718,734
Firm General	8,709,638	887,145	7,822,493
Small Interruptible	4,914,224	1,951,302	2,962,922
Large Interruptible	2,221,865		2,221,865
Unbilled Revenue	(866,804)	(245,412)	(621,392)
Total Sales Revenues	<u>\$26,732,433</u>	<u>\$3,627,811</u>	<u>\$23,104,622</u>
Transportation Revenues	1,333,045	146,856	1,186,189
Total Transportation Revenues	<u>\$1,333,045</u>	<u>\$146,856</u>	<u>1,186,189</u>
Other Operating Revenues	379,668	29,362	350,306
Total Operating Revenues	<u>\$28,445,146</u>	<u>\$3,804,029</u>	<u>\$24,641,117</u>
<u>Operating Expenses</u>			
Operation and Maintenance			
Cost of Purchased Gas	\$19,506,414	\$2,875,721	\$16,630,693
Production	83,715	11,748	71,967
Transmission	56,932	13,599	43,333
Distribution	2,437,309	277,364	2,159,945
Customer Accounts	1,045,325	87,996	957,329
Customer Service & Information	172,407	7,923	164,484
Sales	43,060	4,402	38,658
Administrative & General	2,241,305	224,310	2,016,995
Total O&M Expenses	<u>\$25,586,467</u>	<u>\$3,503,063</u>	<u>\$22,083,404</u>
Depreciation			
Transmission	\$48,276	\$20,369	\$27,907
Distribution	1,398,749	137,992	1,260,757
General	92,286	6,276	86,010
Common	44,752	5,004	39,748
Amort. of Intangible Plant - General	132,250	10,692	121,558
Amort. of Intangible Plant - Common	42,871	4,794	38,077
Total Depreciation Expense	<u>\$1,759,184</u>	<u>\$185,127</u>	<u>\$1,574,057</u>

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2015**

	Total Company	North Dakota	Other
<u>Operating Expenses Con't.</u>			
Taxes Other Than Income Taxes			
Ad Valorem Taxes			
Production	\$0	\$0	\$0
Transmission	18,807	4,865	13,942
Distribution	557,537	27,606	529,931
General	55,548	2,310	53,238
Common	13,236	1,480	11,756
Intangible	57	57	0
Total Ad Valorem Taxes	<u>\$645,185</u>	<u>\$36,318</u>	<u>\$608,867</u>
Other Taxes	230,106	23,991	206,115
Total Taxes Other Than Income Taxes	<u>\$875,291</u>	<u>\$60,309</u>	<u>\$814,982</u>
Current Income Taxes	1,577,854	426,674	1,151,180
Deferred Income Taxes	(1,803,460)	(404,713)	(1,398,747)
Total Operating Expenses	<u>\$27,995,336</u>	<u>\$3,770,460</u>	<u>\$24,224,876</u>
Operating Income	<u>\$449,810</u>	<u>\$33,569</u>	<u>\$416,241</u>
Year End Rate Base	<u>\$19,641,263</u>	<u>\$1,876,617</u>	<u>\$17,764,646</u>
Rate of Return	<u>2.29%</u>	<u>1.79%</u>	<u>2.34%</u>

**GREAT PLAINS NATURAL GAS CO.
YEAR END RATE BASE
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2015**

	Total Company	North Dakota	Other
<u>Plant in Service</u>			
Gas Plant in Service			
Transmission	2,526,152	\$840,773	1,685,379
Distribution	37,557,262	4,101,641	33,455,621
General	5,776,374	217,887	5,558,487
Intangible Plant - General	2,677,643	227,773	2,449,870
Common	1,038,243	116,095	922,148
Intangible Plant - Common	647,439	72,396	575,043
Total Gas Plant in Service	<u>\$50,223,113</u>	<u>\$5,576,565</u>	<u>\$44,646,548</u>
Accumulated Reserve for Depreciation			
Transmission	1,700,650	432,473	1,268,177
Distribution	22,152,373	2,395,754	19,756,619
General	2,814,842	57,674	2,757,168
Intangible Plant - General	296,775	20,134	276,641
Common	451,395	50,614	400,781
Intangible Plant - Common	398,540	45,927	352,613
Total Accum. Reserve for Depreciation	<u>\$27,814,575</u>	<u>\$3,002,576</u>	<u>\$24,811,999</u>
Total Gas Plant in Service	<u>\$22,408,538</u>	<u>\$2,573,989</u>	<u>\$19,834,549</u>
<u>Additions</u>			
Materials and Supplies	\$391,829	\$46,395	\$345,434
Prepayments	38,606	1,616	36,990
Gas in Underground Storage	547,524	0	547,524
Unamortized Loss on Debt	84,908	10,933	73,975
Total Additions	<u>\$1,062,867</u>	<u>\$58,944</u>	<u>\$1,003,923</u>
Total Before Deductions	<u>\$23,471,405</u>	<u>\$2,632,933</u>	<u>\$20,838,472</u>
<u>Deductions</u>			
Accumulated Deferred Income Taxes	\$2,680,484	\$345,544	\$2,334,940
Customer Advances	1,149,658	410,772	738,886
Total Deductions	<u>\$3,830,142</u>	<u>\$756,316</u>	<u>\$3,073,826</u>
Year End Rate Base	<u><u>\$19,641,263</u></u>	<u><u>\$1,876,617</u></u>	<u><u>\$17,764,646</u></u>

**REPORT OF INDEPENDENT
PUBLIC ACCOUNTANTS**

2015

INDEPENDENT ACCOUNTANTS' REPORT

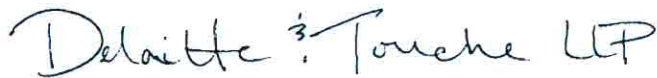
To the Managing Committee of
Great Plains Natural Gas Co.:

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, 2015 through December 31, 2015. 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, 2015 to December 31, 2015, 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.

This 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 7, 2016

GREAT PLAINS NATURAL GAS CO.

SCHEDULE OF 2015 COST OF GAS ADJUSTMENT FACTORS

Effective for the Month of:	Adjustments per dekatherm	
	Firm	Interruptible
January	\$ 1.3601	\$ (0.5636)
February	0.8958	(1.0279)
March	1.1905	(0.7332)
April	0.6227	(1.3010)
May	0.1856	(1.7230)
June	(0.6085)	(2.3051)
July	(0.6634)	(2.3600)
August	(0.5621)	(2.2587)
September	(0.6559)	(2.3525)
October	(0.6959)	(2.3925)
November	(0.9727)	(2.6829)
December	(0.9222)	(2.6325)