



A Division of MDU Resources Group, Inc.

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April 12, 2017

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



Re: Annual Reports

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, 2016 consisting of:

North Dakota Gas Annual Reports
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 black ink that reads "Tamie Aberle".

Tamie Aberle
Director of Regulatory Affairs

Enclosures

ANNUAL REPORT

STATE OF NORTH DAKOTA

GREAT PLAINS NATURAL GAS CO.

FOR THE YEAR ENDED DECEMBER 31, 2016



A Division of MDU Resources Group, Inc.

In the Community to Serve[®]

INDEX

- 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)
		2016 Total Company	2016 North Dakota	ND % (B / A)	2015 North Dakota	Variance (B-D / D)
<u>Operating Revenues:</u>						
1	Residential	\$9,669,857	\$767,519	7.94%	\$1,034,776	-25.83%
2	Firm General	7,300,788	698,206	9.56%	887,145	-21.30%
3	Small Interruptible	4,703,296	2,278,588	48.45%	1,951,302	16.77%
4	Large Interruptible	985,330				
5	Transportation	1,871,501	149,688	8.00%	146,856	1.93%
6	Other Operating Revenues	369,867	26,226	7.09%	29,362	-10.68%
7	Reserve for Refunds	(329,407)				
8	Unbilled Revenue	854,921	239,313	27.99%	(245,412)	-197.51%
9	Total Operating Revenues	<u>\$25,426,153</u>	<u>\$4,159,540</u>	16.36%	<u>\$3,804,029</u>	9.35%
<u>Operating Expenses:</u>						
10	Cost of Purchased Gas	\$14,650,175	\$2,930,328	20.00%	\$2,875,721	1.90%
11	Production Expense	90,753	14,504	15.98%	11,748	23.46%
12	Transmission Expense	28,776	6,931	24.09%	13,599	-49.03%
13	Distribution Expense	2,658,396	308,023	11.59%	277,364	11.05%
14	Customer Accounts Expense	832,279	74,261	8.92%	87,996	-15.61%
15	Customer Service & Info. Exp.	193,907	7,717	3.98%	7,923	-2.60%
16	Sales Expense	48,661	5,954	12.24%	4,402	35.26%
17	Administration & General Exp.	2,560,887	257,144	10.04%	224,310	14.64%
18	Depreciation Expense	2,030,156	207,277	10.21%	185,127	11.96%
19	Taxes Other than Income	1,000,500	64,982	6.49%	60,309	7.75%
20	Total Operating Expenses	<u>\$24,094,490</u>	<u>\$3,877,121</u>	16.09%	<u>\$3,748,499</u>	3.43%
21	Net Operating Income					
22	Before Income Taxes	\$1,331,663	\$282,419	21.21%	\$55,530	408.59%
<u>Income Tax Expense:</u>						
23	Investment Tax Credits					
24	Deferred Income Taxes	\$45,273	\$4,288	9.47%	(\$404,713)	-101.06%
25	Income Taxes	56,926	79,166	139.07%	426,674	-81.45%
26	Total Income Tax Expense	<u>\$102,199</u>	<u>\$83,454</u>	81.66%	<u>\$21,961</u>	280.01%
27	Net Regulated Earnings	<u><u>\$1,229,464</u></u>	<u><u>\$198,965</u></u>	16.18%	<u><u>\$33,569</u></u>	492.70%

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

Line #	Description	(A)	(B)	(C)	(D)	(E)
		2016 Total Company	2016 North Dakota	ND % (B / A)	2015 North Dakota	Variance (B-D / D)
<u>Rate Base:</u>						
1	Plant in Service 1/	\$51,654,915	\$5,666,543	10.97%	\$5,201,287	8.95%
2	Less: Accumulated Depreciation 1/	28,379,753	3,089,391	10.89%	2,945,056	4.90%
3	Net Plant in Service	<u>\$23,275,162</u>	<u>\$2,577,152</u>	11.07%	<u>\$2,256,231</u>	14.22%
<u>Additions:</u>						
4	Materials and Supplies 2/	\$454,385	\$54,733	12.05%	\$53,461	2.38%
5	Prepayments 2/	76,601	6,794	8.87%	6,229	9.07%
6	Gas in Underground Storage 2/	330,370				
7	Unamortized Loss on Debt 1/	82,976	10,372	12.50%	11,381	-8.87%
8	Total Additions	<u>\$944,332</u>	<u>\$71,899</u>	7.61%	<u>\$71,071</u>	1.17%
<u>Deductions:</u>						
9	Accum. Deferred Income Taxes 1/	\$2,594,997	\$335,056	12.91%	\$486,572	-31.14%
10	Accumulated Deferred ITC's					
11	Cust. Advances for Construct. 2/	1,163,178	421,277	36.22%	96,483	336.63%
12	Total Deductions	<u>\$3,758,175</u>	<u>\$756,333</u>	20.13%	<u>\$583,055</u>	29.72%
13	Average Rate Base	<u>\$20,461,319</u>	<u>\$1,892,718</u>	9.25%	<u>\$1,744,247</u>	8.51%
14	Rate of Return on Avg. Rate Base	6.009%	10.512%		1.925%	
15	Less: Weighted Cost of Debt	2.396%	2.396%		2.494%	
16	Weighted Cost of Pref. Stock	<u>0.052%</u>	<u>0.052%</u>		<u>0.058%</u>	
17	Weighted Return on Equity	3.561%	8.064%		-0.627%	
18	% of Equity to Capital Structure	50.195%	50.195%		49.171%	
19	Return on Equity	<u>7.094%</u>	<u>16.065%</u>		<u>-1.275%</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) 2016 Average (000's)	(B) Ratio	(C) Cost	(D) Weighted Cost
1	Long-Term Debt 1/	\$575,451	42.587%	5.447%	2.320%
2	Short Term Debt 2/	82,230	6.085%	1.249%	0.076%
3	Preferred Equity	15,309	1.133%	4.581%	0.052%
4	Common Equity	<u>678,262</u>	<u>50.195%</u>	3/	<u>3/</u>
5	Total	<u>\$1,351,252</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, 2016

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									
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	471,997	0.543%	0	0.000%
4.87% - Senior Note	10/29/2015	10/30/2045	4.870%	11,000,000	11,000,000	59,461	0.541%	0	0.000%
4.03% - Senior Note	12/10/2015	12/10/2030	4.030%	52,000,000	52,000,000	286,355	0.551%	0	0.000%
4.15% - Senior Note	11/21/2016	11/21/2046	4.150%	40,000,000	40,000,000	66,042	0.165%	0	0.000%
Total Long-Term Debt Capital				\$570,000,000	\$570,000,000	\$2,942,295		\$10,532,009	

Description	Net Proceeds		Cost of Money 1/	Principal Outstanding	Annual Cost	Embedded Cost
	Amount	Per Unit				
Unsecured Long Term Debt						
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%	4.442%	40,000,000	1,776,800	
3.78% - Senior Note	86,528,003	99.457%	3.883%	87,000,000	3,378,210	
4.87% - Senior Note	10,940,539	99.459%	4.964%	11,000,000	546,040	
4.03% - Senior Note	51,713,645	99.449%	4.122%	52,000,000	2,143,440	
4.15% - Senior Note	39,933,958	99.835%	4.203%	40,000,000	1,681,200	
Total Long-Term Debt Capital	\$556,525,696			\$570,000,000	\$30,331,290	5.321%

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	2016	2015	2014	2013	2012
	<u>Customer Related</u>					
1	Year End Customers - Residential	1,803	1,783	1,760	1,753	1,741
2	- Firm General	390	383	380	373	365
3	- Small Interruptible	17	16	17	17	17
4	- Large Interruptible	1	0	0	0	0
5	- Other - Transportation 1/	9	9	9	9	9
6	- Total	2,220	2,191	2,166	2,152	2,132
7	Dk Throughput - Residential	127,025	130,682	162,753	155,353	116,351
8	- Firm General	127,715	125,000	148,972	142,223	107,274
9	- Small Interruptible	731,916	419,718	408,500	498,956	329,900
10	- Large Interruptible	0	0	0	0	0
11	- Other - Transportation	1,218,568	1,295,595	1,344,914	1,361,572	1,280,574
12	- Total	2,205,224	1,970,995	2,065,139	2,158,104	1,834,099

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

NORTH DAKOTA COST OF SERVICE STUDY

GREAT PLAINS GAS OPERATIONS

2016

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2016**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Other</u>
<u>Operating Revenues</u>			
Sales Revenues			
Residential	\$9,669,857	\$767,519	\$8,902,338
Firm General	7,300,788	698,206	6,602,582
Small Interruptible	4,703,296	2,278,588	2,424,708
Large Interruptible	985,330	0	985,330
Reserve for Refunds	(329,407)	0	(329,407)
Unbilled Revenue	854,921	239,313	615,608
Total Sales Revenues	<u>\$23,184,785</u>	<u>\$3,983,626</u>	<u>\$19,201,159</u>
Transportation Revenues	1,871,501	149,688	1,721,813
Total Transportation Revenues	<u>\$1,871,501</u>	<u>\$149,688</u>	<u>\$1,721,813</u>
Other Operating Revenues	369,867	26,226	343,641
Total Operating Revenues	<u>\$25,426,153</u>	<u>\$4,159,540</u>	<u>\$21,266,613</u>
<u>Operating Expenses</u>			
Operation and Maintenance			
Cost of Purchased Gas	\$14,650,175	\$2,930,328	\$11,719,847
Production	90,753	14,504	76,249
Transmission	28,776	6,931	21,845
Distribution	2,658,396	308,023	2,350,373
Customer Accounts	832,279	74,261	758,018
Customer Service & Information	193,907	7,717	186,190
Sales	48,661	5,954	42,707
Administrative & General	2,560,887	257,144	2,303,743
Total O&M Expenses	<u>\$21,063,834</u>	<u>\$3,604,862</u>	<u>\$17,458,972</u>
Depreciation			
Transmission	\$46,677	\$18,030	\$28,647
Distribution	1,601,667	159,640	1,442,027
General	90,657	1,828	88,829
Common	57,557	6,396	51,161
Amort. of Intangible Plant - General	191,189	16,670	174,519
Amort. of Intangible Plant - Common	42,409	4,713	37,696
Total Depreciation Expense	<u>\$2,030,156</u>	<u>\$207,277</u>	<u>\$1,822,879</u>

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2016**

	<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			
Transmission	\$19,612	\$5,025	\$14,587
Distribution	653,455	29,388	624,067
General	53,452	1,698	51,754
General Intangible	48	48	0
Common	2,653	294	2,359
Common Intangible	9,270	1,030	8,240
Total Ad Valorem Taxes	<u>\$738,490</u>	<u>\$37,483</u>	<u>\$701,007</u>
Other Taxes	<u>262,010</u>	<u>27,499</u>	<u>234,511</u>
Total Taxes Other Than Income Taxes	<u>\$1,000,500</u>	<u>\$64,982</u>	<u>\$935,518</u>
Current Income Taxes	56,926	79,166	(22,240)
Deferred Income Taxes	<u>45,273</u>	<u>4,288</u>	<u>40,985</u>
Total Operating Expenses	<u>\$24,196,689</u>	<u>\$3,960,575</u>	<u>\$20,236,114</u>
Operating Income	<u>\$1,229,464</u>	<u>\$198,965</u>	<u>\$1,030,499</u>
Year End Rate Base	<u>\$21,366,844</u>	<u>\$1,892,043</u>	<u>\$19,474,801</u>
Rate of Return	<u>5.75%</u>	<u>10.52%</u>	<u>5.29%</u>

**GREAT PLAINS NATURAL GAS CO.
YEAR END RATE BASE
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2016**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Other</u>
<u>Plant in Service</u>			
Gas Plant in Service			
Transmission	\$2,526,152	\$833,794	\$1,692,358
Distribution	40,286,217	4,276,861	36,009,356
General	5,715,675	209,231	5,506,444
Intangible Plant - General	2,700,955	230,200	2,470,755
Common	1,143,469	127,065	1,016,404
Intangible Plant - Common	714,248	79,369	634,879
Total Gas Plant in Service	<u>\$53,086,716</u>	<u>\$5,756,520</u>	<u>\$47,330,196</u>
Accumulated Reserve for Depreciation			
Transmission	\$1,745,624	\$453,405	\$1,292,219
Distribution	23,081,138	2,517,465	20,563,673
General	2,637,051	58,041	2,579,010
Intangible Plant - General	489,392	36,949	452,443
Common	542,668	60,446	482,222
Intangible Plant - Common	449,058	49,900	399,158
Total Accum. Reserve for Depreciation	<u>\$28,944,931</u>	<u>\$3,176,206</u>	<u>\$25,768,725</u>
Total Gas Plant in Service	<u>\$24,141,785</u>	<u>\$2,580,314</u>	<u>\$21,561,471</u>
<u>Additions</u>			
Materials and Supplies	\$383,259	\$46,232	\$337,027
Prepayments	34,583	1,882	32,701
Gas in Underground Storage	426,113	0	426,113
Unamortized Loss on Debt	81,043	9,810	71,233
Total Additions	<u>\$924,998</u>	<u>\$57,924</u>	<u>\$867,074</u>
Total Before Deductions	\$25,066,783	\$2,638,238	\$22,428,545
<u>Deductions</u>			
Accumulated Deferred Income Taxes	\$2,509,509	\$324,567	\$2,184,942
Customer Advances	1,190,430	421,628	768,802
Total Deductions	<u>\$3,699,939</u>	<u>\$746,195</u>	<u>\$2,953,744</u>
Year End Rate Base	<u><u>\$21,366,844</u></u>	<u><u>\$1,892,043</u></u>	<u><u>\$19,474,801</u></u>

**REPORT OF INDEPENDENT
PUBLIC ACCOUNTANTS**

2016



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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, 2016 through December 31, 2016. 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, 2016 to December 31, 2016, 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.

Deloitte & Touche LLP

April 7, 2017

SCHEDULE OF 2016 COST OF GAS ADJUSTMENT FACTORS
Great Plains Natural Gas co.

Effective for the Month of:	Adjustments per dekatherm	
	Firm	Interruptible
January	\$(0.9101)	\$(2.6204)
February	(1.0385)	(2.7488)
March	(1.6029)	(3.3132)
April	(1.6327)	(3.3430)
May	(1.3795)	(3.1282)
June	(1.5193)	(3.4981)
July	(0.8086)	(2.7874)
August	(0.8094)	(2.7882)
September	(0.7119)	(2.6907)
October	(0.5423)	(2.5211)
November	(0.6210)	(2.5855)
December	(0.2547)	(2.2192)