



A Division of MDU Resources Group, Inc.

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PO Box 176
Fergus Falls, MN 56538-0176
1-877-267-4764

April 13, 2018

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, 2017 consisting of:

North Dakota Gas Annual Reports
North Dakota Gas Cost of Service Study
Report of Independent Public Accountants

Great Plains has identified the primary reason for the reported rate of return of 10.244 percent in 2017 relates to a transportation rate change. The transportation rate for one customer increased from \$0.1062 per dk to \$0.2000 per dk adding approximately \$100,000 in margin. Great Plains also experienced a lower income tax apportionment which contributed to higher earnings.

As noted in Case No. PU-17-490 regarding the Tax Cuts and Job Acts of 2017 (TCJA), Great Plains will submit a proposal in the pending rate case (PU-17-075) to address the return reported for 2017 and the impact of the TCJA.

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, 2017



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)
		2017 Total Company	2017 North Dakota	ND % (B / A)	2016 North Dakota	Variance (B-D / D)
<u>Operating Revenues:</u>						
1	Residential	\$11,073,227	\$934,635	8.44%	\$767,519	21.77%
2	Firm General	8,330,831	778,394	9.34%	698,206	11.48%
3	Small Interruptible	6,192,821	2,880,709	46.52%	2,278,588	26.43%
4	Large Interruptible	1,248,550				
5	Transportation	2,033,778	251,172	12.35%	149,688	67.80%
6	Other Operating Revenues	397,285	29,447	7.41%	26,226	12.28%
7	Reserve for Refunds	(7,477)				
8	Unbilled Revenue	995,530	20,690	2.08%	239,313	-91.35%
9	Total Operating Revenues	<u>\$30,264,545</u>	<u>\$4,895,047</u>	16.17%	<u>\$4,159,540</u>	17.68%
<u>Operating Expenses:</u>						
10	Cost of Purchased Gas	\$18,333,702	\$3,592,298	19.59%	\$2,930,328	22.59%
11	Production Expense	81,653	18,382	22.51%	14,504	26.74%
12	Transmission Expense	51,220	12,752	24.90%	6,931	83.98%
13	Distribution Expense	2,809,913	323,680	11.52%	308,023	5.08%
14	Customer Accounts Expense	811,468	67,355	8.30%	74,261	-9.30%
15	Customer Service & Info. Exp.	175,249	6,272	3.58%	7,717	-18.72%
16	Sales Expense	48,439	7,625	15.74%	5,954	28.07%
17	Administration & General Exp.	2,885,841	317,337	11.00%	257,144	23.41%
18	Depreciation Expense	2,259,220	227,164	10.05%	207,277	9.59%
19	Taxes Other than Income	1,098,542	71,070	6.47%	64,982	9.37%
20	Total Operating Expenses	<u>\$28,555,247</u>	<u>\$4,643,935</u>	16.26%	<u>\$3,877,121</u>	19.78%
21	Net Operating Income					
22	Before Income Taxes	\$1,709,298	\$251,112	14.69%	\$282,419	-11.09%
<u>Income Tax Expense:</u>						
23	Investment Tax Credits					
24	Deferred Income Taxes	\$1,902,762	\$254,159	13.36%	\$4,288	5827.22%
25	Income Taxes	(1,415,779)	(203,637)	14.38%	79,166	-357.23%
26	Total Income Tax Expense	<u>\$486,983</u>	<u>\$50,522</u>	10.37%	<u>\$83,454</u>	-39.46%
27	Net Regulated Earnings	<u><u>\$1,222,315</u></u>	<u><u>\$200,590</u></u>	16.41%	<u><u>\$198,965</u></u>	0.82%

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

Line #	Description	(A)	(B)	(C)	(D)	(E)
		2017 Total Company	2017 North Dakota	ND % (B / A)	2016 North Dakota	Variance (B-D / D)
	<u>Rate Base:</u>					
1	Plant in Service 1/	\$55,572,118	\$5,915,469	10.64%	\$5,666,543	4.39%
2	Less: Accumulated Depreciation 1/	29,598,629	3,269,836	11.05%	3,089,391	5.84%
3	Net Plant in Service	<u>\$25,973,489</u>	<u>\$2,645,633</u>	10.19%	<u>\$2,577,152</u>	2.66%
	<u>Additions:</u>					
4	Materials and Supplies 2/	\$526,069	\$60,881	11.57%	\$54,733	11.23%
5	Prepayments 2/	103,158	7,007	6.79%	6,794	3.14%
6	Gas in Underground Storage 2/	351,613				
7	Unamortized Loss on Debt 1/	77,589	9,212	11.87%	10,372	-11.18%
8	Preferred Stock Redemption 1/	6,324	498	7.87%	0	
9	Total Additions	<u>\$1,058,429</u>	<u>\$77,100</u>	7.28%	<u>\$71,899</u>	7.23%
	<u>Deductions:</u>					
10	Accum. Deferred Income Taxes 1/	\$2,820,671	\$377,517	13.38%	\$335,056	12.67%
11	Accumulated Deferred ITC's					
12	Cust. Advances for Construct. 2/	<u>1,142,806</u>	<u>387,107</u>	33.87%	<u>421,277</u>	-8.11%
13	Total Deductions	<u>\$3,963,477</u>	<u>\$764,624</u>	19.29%	<u>\$756,333</u>	1.10%
14	Average Rate Base	<u><u>\$23,068,441</u></u>	<u><u>\$1,958,109</u></u>	8.49%	<u><u>\$1,892,718</u></u>	3.45%
15	Rate of Return on Avg. Rate Base	5.299%	10.244%		10.512%	
16	Less: Weighted Cost of Debt	2.372%	2.372%		2.396%	
17	Weighted Cost of Pref. Stock	<u>0.026%</u>	<u>0.026%</u>		<u>0.052%</u>	
18	Weighted Return on Equity	2.901%	7.846%		8.064%	
19	% of Equity to Capital Structure	<u>51.873%</u>	<u>51.873%</u>		<u>50.195%</u>	
20	Return on Equity	<u><u>5.593%</u></u>	<u><u>15.125%</u></u>		<u><u>16.065%</u></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) 2017 Average (000's)	(B) Ratio	(C) Cost	(D) Weighted Cost
1	Long-Term Debt 1/	\$600,442	43.822%	5.247%	2.299%
2	Short Term Debt 2/	51,324	3.746%	1.953%	0.073%
3	Preferred Equity 3/	7,654	0.559%	4.581%	0.026%
4	Common Equity	<u>710,753</u>	<u>51.873%</u>	4/	<u>4/</u>
5	Total	<u><u>\$1,370,173</u></u>	<u><u>100.000%</u></u>		<u><u>4/</u></u>

1/ Includes additional other long term debt and excludes \$10.5 million economic development loan for a North Dakota project.

2/ Reflects monthly average short term debt.

3/ Preferred Stock was redeemed in full in 2017.

4/ 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, 2017

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	226,084	0.565%	0	0.000%
3.73% - Senior Note	3/21/2017	3/31/2037	3.730%	40,000,000	40,000,000	173,631	0.434%	0	0.000%
3.36% - Senior Note	3/21/2017	3/31/2032	3.360%	20,000,000	20,000,000	86,065	0.430%	0	0.000%
2.00% - Senior Note 1/	9/5/2017	9/3/2032	2.000%	10,500,000	10,500,000			0	0.000%
Total Long-Term Debt Capital				<u>\$640,500,000</u>	<u>\$640,500,000</u>	<u>\$3,362,033</u>		<u>\$10,532,009</u>	

Description	Net Proceeds		Cost of Money 2/	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	39,773,916	99.435%	4.228%	40,000,000	1,691,200	
3.73% - Senior Note	39,826,369	99.566%	3.797%	40,000,000	1,518,800	
3.36% - Senior Note	19,913,935	99.570%	3.425%	20,000,000	685,000	
2.00% - Senior Note	10,500,000		2.000%	10,500,000		
Total Long-Term Debt Capital	<u>\$626,605,958</u>			<u>\$640,500,000</u>	<u>\$32,545,090</u>	<u>5.081%</u>

1/ Debt is associated with an economic development project in North Dakota. Interest is capitalized in the project work order.

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

III. MISCELLANEOUS

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

Line #	Description	2017	2016	2015	2014	2013
	<u>Customer Related</u>					
1	Year End Customers - Residential	1,856	1,803	1,783	1,760	1,753
2	- Firm General	405	390	383	380	373
3	- Small Interruptible	18	17	16	17	17
4	- Large Interruptible	1	1	0	0	0
5	- Other - Transportation 1/	9	9	9	9	9
6	- Total	<u>2,289</u>	<u>2,220</u>	<u>2,191</u>	<u>2,166</u>	<u>2,152</u>
7	Dk Throughput - Residential	139,682	127,025	130,682	162,753	155,353
8	- Firm General	127,203	127,715	125,000	148,972	142,223
9	- Small Interruptible	759,847	731,916	419,718	408,500	498,956
10	- Large Interruptible	0	0	0	0	0
11	- Other - Transportation	<u>1,201,859</u>	<u>1,218,568</u>	<u>1,295,595</u>	<u>1,344,914</u>	<u>1,361,572</u>
12	- Total	<u>2,228,591</u>	<u>2,205,224</u>	<u>1,970,995</u>	<u>2,065,139</u>	<u>2,158,104</u>

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

NORTH DAKOTA COST OF SERVICE STUDY

GREAT PLAINS GAS OPERATIONS

2017

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2017**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Other</u>
<u>Operating Revenues</u>			
Sales Revenues			
Residential	\$11,073,227	\$934,635	\$10,138,592
Firm General	8,330,831	778,394	7,552,437
Small Interruptible	6,192,821	2,880,709	3,312,112
Large Interruptible	1,248,550	0	1,248,550
Reserve for Refunds	(7,477)	0	(7,477)
Unbilled Revenue	995,530	20,690	974,840
Total Sales Revenues	<u>\$27,833,482</u>	<u>\$4,614,428</u>	<u>\$23,219,054</u>
Transportation Revenues	<u>2,033,778</u>	<u>251,172</u>	<u>1,782,606</u>
Total Transportation Revenues	<u>\$2,033,778</u>	<u>\$251,172</u>	<u>\$1,782,606</u>
Other Operating Revenues	<u>397,285</u>	<u>29,447</u>	<u>367,838</u>
Total Operating Revenues	<u>\$30,264,545</u>	<u>\$4,895,047</u>	<u>\$25,369,498</u>
<u>Operating Expenses</u>			
Operation and Maintenance			
Cost of Purchased Gas	\$18,333,702	\$3,592,298	\$14,741,404
Production	81,653	18,382	63,271
Transmission	51,220	12,752	38,468
Distribution	2,809,913	323,680	2,486,233
Customer Accounts	811,468	67,355	744,113
Customer Service & Information	175,249	6,272	168,977
Sales	48,439	7,625	40,814
Administrative & General	2,885,841	317,337	2,568,504
Total O&M Expenses	<u>\$25,197,485</u>	<u>\$4,345,701</u>	<u>\$20,851,784</u>
Depreciation			
Transmission	\$44,666	\$17,399	\$27,267
Distribution	1,810,645	176,694	1,633,951
General	110,042	5,593	104,449
Common	55,962	6,185	49,777
Amort. of Intangible Plant - General	186,622	15,625	170,997
Amort. of Intangible Plant - Common	51,283	5,668	45,615
Total Depreciation Expense	<u>\$2,259,220</u>	<u>\$227,164</u>	<u>\$2,032,056</u>

**GREAT PLAINS NATURAL GAS CO.
INCOME STATEMENT
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2017**

	<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	\$20,157	\$5,358	\$14,799
Distribution	739,694	33,487	706,207
General	61,357	2,386	58,971
General Intangible	53	53	0
Common	3,094	335	2,759
Common Intangible	10,602	1,172	9,430
Total Ad Valorem Taxes	<u>\$834,957</u>	<u>\$42,791</u>	<u>\$792,166</u>
Other Taxes	<u>263,585</u>	<u>28,279</u>	<u>235,306</u>
Total Taxes Other Than Income Taxes	<u>\$1,098,542</u>	<u>\$71,070</u>	<u>\$1,027,472</u>
Current Income Taxes	(1,415,779)	(203,637)	(1,212,142)
Deferred Income Taxes	<u>1,902,762</u>	<u>254,159</u>	<u>1,648,603</u>
Total Operating Expenses	<u>\$29,042,230</u>	<u>\$4,694,457</u>	<u>\$24,347,773</u>
Operating Income	<u><u>\$1,222,315</u></u>	<u><u>\$200,590</u></u>	<u><u>\$1,021,725</u></u>
Year End Rate Base	<u><u>\$24,719,890</u></u>	<u><u>\$2,021,266</u></u>	<u><u>\$22,698,624</u></u>
Rate of Return	<u><u>4.94%</u></u>	<u><u>9.92%</u></u>	<u><u>4.50%</u></u>

**GREAT PLAINS NATURAL GAS CO.
YEAR END RATE BASE
GAS UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2017**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Other</u>
<u>Plant in Service</u>			
Gas Plant in Service			
Transmission	\$2,560,823	\$865,672	\$1,695,151
Distribution	43,809,926	4,517,582	39,292,344
General	6,409,491	210,487	6,199,004
Intangible Plant - General	3,073,839	237,159	2,836,680
Common	1,332,304	147,242	1,185,062
Intangible Plant - Common	871,136	96,275	774,861
Total Gas Plant in Service	<u>\$58,057,519</u>	<u>\$6,074,417</u>	<u>\$51,983,102</u>
Accumulated Reserve for Depreciation			
Transmission	\$1,779,577	\$483,930	\$1,295,647
Distribution	24,059,619	2,646,336	21,413,283
General	2,675,306	62,920	2,612,386
Intangible Plant - General	677,070	52,907	624,163
Common	560,658	62,104	498,554
Intangible Plant - Common	500,097	55,269	444,828
Total Accum. Reserve for Depreciation	<u>\$30,252,327</u>	<u>\$3,363,466</u>	<u>\$26,888,861</u>
Total Gas Plant in Service	<u>\$27,805,192</u>	<u>\$2,710,951</u>	<u>\$25,094,241</u>
<u>Additions</u>			
Materials and Supplies	\$465,768	\$62,175	\$403,593
Prepayments	92,488	1,774	90,714
Gas in Underground Storage	534,090	0	534,090
Unamortized Loss on Debt	74,135	8,614	65,521
Total Additions	<u>\$1,166,481</u>	<u>\$72,563</u>	<u>\$1,093,918</u>
Total Before Deductions	\$28,971,673	\$2,783,514	\$26,188,159
<u>Deductions</u>			
Accumulated Deferred Income Taxes	\$3,131,832	\$430,467	\$2,701,365
Customer Advances	1,119,951	331,781	788,170
Total Deductions	<u>\$4,251,783</u>	<u>\$762,248</u>	<u>\$3,489,535</u>
Year End Rate Base	<u><u>\$24,719,890</u></u>	<u><u>\$2,021,266</u></u>	<u><u>\$22,698,624</u></u>

**REPORT OF INDEPENDENT
PUBLIC ACCOUNTANTS**

2017

INDEPENDENT ACCOUNTANTS' REPORT

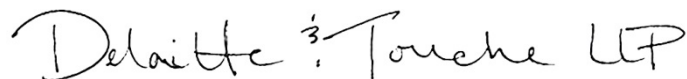
To the Managing Committee of
Great Plains Natural Gas Co.:

We have examined the accompanying schedule of Cost of Gas per dk (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, 2017 to December 31, 2017. The Company's management is responsible for the calculation of the cost of gas per dk in the Schedule in accordance with the criteria established by the North Dakota Public Service Commission (the "Commission") and based upon Chapters 69-09-01-30 of the North Dakota Administrative Code (the "Code") and the Cost of Gas Rates (the "Tariffs") filed by the Company with the Commission. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of the Cost of Gas per dk of Great Plains Natural Gas Co. for the period from January 1, 2017 to December 31, 2017, presents the cost of gas in accordance with Chapters 69-09-01-30 of the North Dakota Administrative Code (the "Code"), and the Cost of Gas Rates (the "Tariffs") filed by the Company with the Commission, in all material respects.

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 11, 2018

GREAT PLAINS NATURAL GAS CO.

SCHEDULE OF 2017 COST OF GAS PER DK

Effective for the Month of:	Cost of Gas Factor	
	Firm	Interruptible
January	\$5.8484	\$3.9486
February	5.0772	3.1774
March	4.1532	2.2534
April	4.5355	2.6357
May	4.5163	2.6165
June	4.9061	3.1056
July	4.6394	2.9570
August	4.5748	2.8924
September	4.5614	2.8790
October	4.5647	2.8823
November	4.6508	2.9619
December	4.8238	3.1349