

# ANNUAL REPORT

## STATE OF NORTH DAKOTA

### GAS OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018



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

Line #	Description	(A)	(B)	(C)	(D)	(E)
		2018 1/ Total Company	2018 1/ North Dakota	ND % (B / A)	2017 North Dakota 4/	Variance (B-D / D)
<u>Operating Revenues:</u>						
1	Residential	\$156,751,240	60,883,062	38.84%	\$56,461,202	7.83%
2	Firm General	107,349,994	45,874,278	42.73%	42,992,437	6.70%
3	Small Interruptible	10,078,536	5,681,488	56.37%	6,013,037 4/	-5.51%
4	Large Interruptible	4,489,156	1,734,196	38.63%	1,503,520 4/	15.34%
5	Transportation	6,429,036	2,997,453	46.62%	2,543,434	17.85%
6	Other Operating Revenues	6,190,006	3,937,023	63.60%	3,990,779	-1.35%
7	Unbilled Revenue	(1,390,351)	329,144	-23.67%	(260,590)	-226.31%
8	Reserve for Refunds	(2,499,276)	(712,503)	28.51%	(61,939)	1050.33%
9	Total Operating Revenues	\$287,398,341	\$120,724,141	42.01%	\$113,181,880	6.66%
<u>Operating Expenses:</u>						
10	Cost of Purchased Gas	\$178,319,858	\$75,245,400	42.20%	\$70,600,163	6.58%
11	Production	665,725	294,870	44.29%	332,927	-11.43%
12	Transmission	26,729	6,696	25.05%	12,752	-47.49%
13	Distribution Expense	24,805,238	9,878,192	39.82%	9,798,612	0.81%
14	Customer Accounts Expense	7,189,813	2,618,418	36.42%	2,670,392	-1.95%
15	Customer Service & Info. Exp.	1,287,713	224,919	17.47%	234,055	-3.90%
16	Sales Expense	434,242	185,029	42.61%	153,190	20.78%
17	Administration & General Exp.	21,918,982	8,397,054	38.31%	8,707,440	-3.56%
18	Depreciation Expense	21,557,375	8,715,741	40.43%	8,050,511	8.26%
19	Taxes Other than Income	10,705,886	2,275,877	21.26%	2,226,083	2.24%
20	Total Operating Expenses	\$266,911,561	\$107,842,196	40.40%	\$102,786,125	4.92%
21	Net Operating Income					
22	before Income Taxes	\$20,486,780	\$12,881,945	62.88%	\$10,395,755	23.92%
23						
<u>Income Tax Expense:</u>						
23	Investment Tax Credits					
24	Deferred Income Taxes	(\$2,000,991)	(\$207,891)	10.39%	\$2,280,693	-109.12%
25	Income Taxes	3,972,808	2,443,679	61.51%	320,636	662.13%
26	Total Income Tax Expense	\$1,971,817	\$2,235,788	113.39%	\$2,601,329	-14.05%
27	<b>Net Regulated Earnings</b>	<b>\$18,514,963</b>	<b>\$10,646,157</b>	<b>57.50%</b>	<b>\$7,794,426</b>	<b>36.59%</b>

## I. INTRASTATE RETURN ON EQUITY

## GAS UTILITY

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

Line #	Description	(A)	(B)	(C)	(D)	(E)
		2018 1/ Total Company	2018 1/ North Dakota	ND % (B / A)	2017 North Dakota 4/	Variance (B-D / D)
	<u>Rate Base:</u>					
1	Plant in Service 2/	\$624,154,357	\$283,843,113	45.48%	\$263,002,255	7.92%
2	Less: Accumulated Depreciation 2/	278,681,802	102,553,621	36.80%	96,501,149	6.27%
3	Net Plant in Service	<u>\$345,472,555</u>	<u>\$181,289,492</u>	52.48%	<u>\$166,501,106</u>	8.88%
	<u>Additions:</u>					
4	Materials and Supplies 3/	\$4,472,769	\$1,880,884	42.05%	\$2,011,483	-6.49%
5	Prepayments 3/	626,590	262,264	41.86%	236,399	10.94%
6	Prepaid Demand/Commodity 2/	1,223,028	3,183	0.26%	0	100.00%
7	Fuel Stocks 3/	56,706	56,706	100.00%	111,061	-48.94%
8	Gas in Underground Storage 2/	3,645,906	24,517	0.67%	0	100.00%
9	Other 2/	149,827	28,676	19.14%	498	5658.23%
10	Unamortized Loss on Debt 2/	896,140	463,183	51.69%	532,831	-13.07%
11	Gain and Loss on Property 2/	116,889	116,889	100.00%	(299,079)	-139.08%
12	Total Additions	<u>\$11,187,855</u>	<u>\$2,836,302</u>	25.35%	<u>\$2,593,193</u>	9.37%
	<u>Deductions:</u>					
13	Accum. Deferred Income Taxes 2/	\$51,577,249	\$22,278,376	43.19%	\$21,240,449	4.89%
14	Cust. Advances for Construct. 3/	16,888,518	12,726,229	75.35%	14,170,444	-10.19%
15	Total Deductions	<u>\$68,465,767</u>	<u>\$35,004,605</u>	51.13%	<u>\$35,410,893</u>	-1.15%
16	<b>Average Rate Base</b>	<u><u>\$288,194,643</u></u>	<u><u>\$149,121,189</u></u>	<u>51.74%</u>	<u><u>\$133,683,406</u></u>	<u>11.55%</u>
17	Rate of Return on Avg. Rate Base	6.424%	7.139%		5.831%	
18	Less: Weighted Cost of Debt	2.419%	2.419%		2.372%	
19	Weighted Cost of Pref. Stock	<u>0.000%</u>	<u>0.000%</u>		<u>0.026%</u>	
20	Weighted Return on Equity	4.005%	4.720%		3.433%	
21	% of Equity to Capital Structure	<u>50.025%</u>	<u>50.025%</u>		<u>51.873%</u>	
22	<b>Return on Equity</b>	<u><u>8.006%</u></u>	<u><u>9.435%</u></u>		<u><u>6.618%</u></u>	

1/ Beginning with the report for calendar year 2018, the reported information includes Montana-Dakota Utilities Co. and its division Great Plains Natural Gas Co.

2/ Beginning and ending year average.

3/ Thirteen month average.

4/ Column (D) 2017 North Dakota includes both Montana-Dakota Utilities Co. and Great Plains Natural Gas as originally reported. \$1,491,171 - 2017 Great Plains Natural Gas Co. Revenue Originally Reported as Small Interruptible was moved to Large Interruptible.

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

		(A)	(B)	(C)	(D)
Line #	Description	2018 Average (000's)	Ratio	Cost	Weighted Cost
1	Long-Term Debt 1/	\$680,431	45.383%	5.038%	2.286%
2	Short Term Debt 2/	68,850	4.592%	2.906%	0.133%
3	Common Equity	<u>750,012</u>	<u>50.025%</u>	3/	<u>3/</u>
4	Total	<u>\$1,499,293</u>	<u>100.000%</u>		<u>3/</u>

1/ Includes additional other long term debt and excludes \$9.8 million economic development loan for a North Dakota project.  
 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

MONTANA-DAKOTA UTILITIES CO.  
GREAT PLAINS NATURAL GAS CO.  
LONG-TERM DEBT CAPITAL  
DECEMBER 31, 2018

Description	Date of Issuance	Date of Maturity	Interest Rate	Principal Amount of Issue	Gross Proceeds	Underwriters' Commission		Loss on Reacquirement Redemption and Issuance Expense	
						Amount	% Gross Proceeds	Amount	% Gross Proceeds
Unsecured Long Term Debt									
5.98% - Senior Note	12/15/03	12/15/33	5.980%	\$30,000,000	\$30,000,000	624,465	2.082%	0	0.000%
6.33% - Senior Note	08/24/06	08/24/26	6.330%	100,000,000	100,000,000	344,061	0.344%	10,532,009	10.532%
5.18% - Senior Note	04/15/14	04/15/44	5.180%	50,000,000	50,000,000	239,178	0.478%	0	0.000%
4.24% - Senior Note	07/15/14	07/15/24	4.240%	60,000,000	60,000,000	291,263	0.485%	0	0.000%
4.34% - Senior Note	07/15/14	07/15/26	4.340%	40,000,000	40,000,000	197,042	0.493%	0	0.000%
3.78% - Senior Note	10/29/15	10/30/25	3.780%	87,000,000	87,000,000	471,997	0.543%	0	0.000%
4.87% - Senior Note	10/29/15	10/30/45	4.870%	11,000,000	11,000,000	59,461	0.541%	0	0.000%
4.03% - Senior Note	12/10/15	12/10/30	4.030%	52,000,000	52,000,000	286,355	0.551%	0	0.000%
4.15% - Senior Note	11/21/16	11/21/46	4.150%	40,000,000	40,000,000	226,084	0.565%	0	0.000%
3.73% - Senior Note	03/21/17	03/31/37	3.730%	40,000,000	40,000,000	173,637	0.434%	0	0.000%
3.36% - Senior Note	03/21/17	03/31/32	3.360%	20,000,000	20,000,000	86,071	0.430%	0	0.000%
2.00% - Senior Note 1/	9/5/2017	9/3/2032	2.000%	9,800,000	9,800,000	6,029	0.062%	0	0.000%
LIBOR Floating Rate Note September 2018			4.650%	200,000,000	200,000,000	800,000	0.400%	0	0.000%
<b>Total Long-Term Debt Capital</b>				<b>\$739,800,000</b>	<b>\$739,800,000</b>	<b>\$3,805,643</b>		<b>\$10,532,009</b>	

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	
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	39,826,363	99.566%	3.797%	40,000,000	1,518,800	
3.36% - Senior Note	19,913,929	99.570%	3.425%	20,000,000	685,000	
2.00% - Senior Note	9,800,000		2.000%	9,800,000	196,000	
LIBOR Floating Rate Note Sept 2018	199,200,000	99.600%	4.755%	200,000,000	9,510,000	
<b>Total Long-Term Debt Capital</b>	<b>\$725,468,377</b>			<b>\$739,800,000</b>	<b>\$36,070,090</b>	<b>4.876%</b>

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

III. AFFILIATED TRANSACTIONS

MONTANA-DAKOTA UTILITIES CO.  
GREAT PLAINS NATURAL GAS CO.  
ANNUAL REPORT  
TO THE  
NORTH DAKOTA PUBLIC SERVICE COMMISSION  
MAJOR TRANSACTIONS 2018

Line #	Affiliate's Name	General Description of Service Rendered and/or Supplied	Revenue or (Expense)	
			Total Company	Allocated to North Dakota
1	Knife River Corporation	Electric Sales	\$167,884	\$167,884
2		Natural Gas Sales	155,831	104,839
3	WBI Energy	Electric Sales	698,921	207,606
4		Natural Gas Pipeline Services	(50,675,860)	(21,940,864)
5		Natural Gas Sales	37,550	5,888
6	FutureSource	Electric Sales	188,578	188,578
7		Natural Gas Sales	14,016	14,016
8	JTL Group	Natural Gas Sales	10,427	0
9	Total Corrosion Solution	Electric Sales	299	299
10		Natural Gas Sales	2,899	444
11	Rocky Mountain Contractor	Natural Gas Sales	5,119	0
	Total		<u>(\$49,394,336)</u>	<u>(\$21,251,310)</u>

IV. MISCELLANEOUS

**MONTANA-DAKOTA UTILITIES CO.  
GREAT PLAINS NATURAL GAS CO.  
ANNUAL REPORT TO THE  
NORTH DAKOTA PUBLIC SERVICE COMMISSION  
Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. Combined**

Line #	Description	2018	2017	2016	2015	2014
	<u>Customer Related</u>					
1	Year End Customers - Residential	96,464	95,959	95,525	95,078	93,048
2	- Firm General	15,659	15,483	15,244	14,870	14,411
3	- Small Interruptible 2/	140	144	135	184	196
4	- Large Interruptible 2/	2	2	2	1	1
5	- Other - Transportation 1/	77	78	97	87	89
6	- Total	<u>112,342</u>	<u>111,666</u>	<u>111,003</u>	<u>110,220</u>	<u>107,745</u>
7	Dk Sold - Residential	9,312,803	8,184,807	7,401,182	7,888,589	9,443,144
8	- Firm General	8,424,902	7,562,295	6,625,698	7,022,228	8,069,466
9	- Small Interruptible 2/	1,460,247	1,542,463	1,418,219	1,663,003	2,016,858
10	- Large Interruptible 2/	442,814	404,073	367,952	47,386	59,521
11	- Other - Transportation	6,950,990	6,743,178	6,469,831	6,778,537	7,725,376
12	- Total	<u>26,591,756</u>	<u>24,436,816</u>	<u>22,282,882</u>	<u>23,399,743</u>	<u>27,314,365</u>

1/ Years 2014-2016 may include duplication of customers also receiving sales service.

2/ Customers and Dk Sold stated above were reclassified with revenues, footnote 4/ on Income Statement and Rate Base.

**MONTANA-DAKOTA UTILITIES CO. AND  
GREAT PLAINS NATURAL GAS CO.**

**NORTH DAKOTA COST OF SERVICE STUDY  
GAS OPERATIONS**

**2018**

**MONTANA-DAKOTA UTILITIES CO.  
GREAT PLAINS NATURAL GAS CO.  
INCOME STATEMENT  
GAS UTILITY  
TWELVE MONTHS ENDED DECEMBER 31, 2018**

	Total Company	North Dakota	Others
<b><u>Operating Revenues</u></b>			
Sales Revenues			
Residential	\$156,751,240	\$60,883,062	\$95,868,178
Firm General	\$107,349,994	\$45,874,278	61,475,716
Small Interruptible	\$10,078,536	\$5,681,488	4,397,048
Large Interruptible	\$4,489,156	\$1,734,196	2,754,960
Unbilled Revenue	(\$1,678,630)	\$238,561	(1,917,191)
Reserve for Refunds	(\$2,499,276)	(\$712,503)	(1,786,773)
Total Sales Revenues	<u>274,491,020</u>	<u>113,699,082</u>	<u>160,791,938</u>
Transportation Revenues			
Small Interruptible	2,255,992	1,324,617	931,375
Large Interruptible	4,173,044	1,672,836	2,500,208
Unbilled Revenue	288,279	90,583	197,696
Total Transportation Revenues	<u>6,717,315</u>	<u>3,088,036</u>	<u>3,629,279</u>
Other Operating Revenues	<u>6,190,006</u>	<u>3,937,023</u>	<u>2,252,983</u>
Total Operating Revenues	<u>\$287,398,341</u>	<u>\$120,724,141</u>	<u>\$166,674,200</u>
<b><u>Operating Expenses</u></b>			
Operation and Maintenance			
Cost of Purchased Gas	\$178,319,858	\$75,245,400	\$103,074,458
Production	665,725	294,870	370,855
Transmission	26,729	6,696	20,033
Distribution	24,805,238	9,878,192	14,927,046
Customer Accounts	7,189,813	2,618,418	4,571,395
Customer Service & Information	1,287,713	224,919	1,062,794
Sales	434,242	185,029	249,213
Administrative & General	21,918,982	8,397,054	13,521,928
Total O&M Expenses	<u>234,648,300</u>	<u>96,850,578</u>	<u>137,797,722</u>
Depreciation			
Distribution	17,032,250	6,859,886	10,172,364
General	1,017,914	243,689	774,225
Common	807,364	440,656	366,708
Amort. of Intangible Plant - General	544,111	270,329	273,782
Amort. of Intangible Plant - Common	2,116,384	885,750	1,230,634
Transmission	39,352	15,431	23,921
Total Depreciation Expense	<u>21,557,375</u>	<u>8,715,741</u>	<u>12,841,634</u>

**MONTANA-DAKOTA UTILITIES CO.  
GREAT PLAINS NATURAL GAS CO.  
INCOME STATEMENT  
GAS UTILITY  
TWELVE MONTHS ENDED DECEMBER 31, 2018**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Others</u>
<b><u>Operating Expenses Con't.</u></b>			
Taxes Other Than Income Taxes			
Ad Valorem Taxes			
Transmission	20,406	5,447	14,959
Distribution	7,047,138	1,204,821	5,842,317
General	602,466	73,548	528,918
Common	179,943	47,431	132,512
Intangible	144,832	81,787	63,045
Total Ad Valorem Taxes	<u>7,994,785</u>	<u>1,413,034</u>	<u>6,581,751</u>
Other Taxes	<u>2,711,101</u>	<u>862,843</u>	<u>1,848,258</u>
Total Taxes Other Than Income Taxes	<u>10,705,886</u>	<u>2,275,877</u>	<u>8,430,009</u>
Current Income Taxes	3,972,808	2,443,679	1,529,129
Deferred Income Taxes	<u>(2,000,991)</u>	<u>(207,891)</u>	<u>(1,793,100)</u>
Total Operating Expenses	<u>\$268,883,378</u>	<u>\$110,077,984</u>	<u>\$158,805,394</u>
<b>Operating Income</b>	<u><u>\$18,514,963</u></u>	<u><u>\$10,646,157</u></u>	<u><u>\$7,868,806</u></u>
<b>Year End Rate Base</b>	<u><u>\$305,030,113</u></u>	<u><u>\$159,947,797</u></u>	<u><u>\$145,082,316</u></u>
<b>Rate of Return</b>	<u><u>6.07%</u></u>	<u><u>6.66%</u></u>	<u><u>5.42%</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
GREAT PLAINS NATURAL GAS CO.  
YEAR END RATE BASE  
GAS UTILITY  
TWELVE MONTHS ENDED DECEMBER 31, 2018**

<b><u>Plant in Service</u></b>	<b>Total Company</b>	<b>North Dakota</b>	<b>Others</b>
Gas Plant in Service			
Transmission	\$7,154,282	\$2,005,492	\$5,148,790
Distribution	514,451,740	241,926,630	272,525,110
General	54,191,998	15,719,362	38,472,636
Intangible Plant - General	12,917,775	8,699,060	4,218,715
Common	27,337,792	15,209,825	12,127,967
Intangible Plant - Common	32,847,995	13,876,090	18,971,905
Acquisition Adjustment	97,266	97,266	0
Total Gas Plant in Service	<u>648,998,848</u>	<u>297,533,725</u>	<u>351,465,123</u>
Accumulated Reserve for Depreciation			
Transmission	1,796,682	496,124	1,300,558
Distribution	241,132,164	88,476,963	152,655,201
General	14,678,917	3,008,515	11,670,402
Intangible Plant - General	3,012,458	1,630,447	1,382,011
Common	10,052,154	5,075,415	4,976,739
Intangible Plant - Common	15,856,885	6,870,336	8,986,549
Acquisition Adjustment	72,130	72,130	0
Total Accum. Reserve for Depreciation	<u>286,601,390</u>	<u>105,629,930</u>	<u>180,971,460</u>
Net Gas Plant in Service	362,397,458	191,903,795	170,493,663
<b><u>Additions</u></b>			
Materials and Supplies	4,049,143	1,701,950	2,347,193
Fuel Stocks	36,889	36,889	0
Prepayments	105,072	44,316	60,756
Prepaid Demand/Commodity	1,237,434	6,365	1,231,069
Gas in Underground Storage	3,609,849	49,033	3,560,816
Other	159,532	57,352	102,180
Unamortized Loss on Debt	841,383	437,999	403,384
Gain or Loss on Property	524,074	524,074	0
Total Additions	<u>10,563,376</u>	<u>2,857,978</u>	<u>7,705,398</u>
Total Before Deductions	\$372,960,834	\$194,761,773	\$178,199,061
<b><u>Deductions</u></b>			
Accumulated Deferred Income Taxes	51,628,966	22,579,787	29,049,179
Customer Advances	16,301,755	12,234,189	4,067,566
Total Deductions	<u>67,930,721</u>	<u>34,813,976</u>	<u>33,116,745</u>
<b>Year End Rate Base</b>	<u><u>\$305,030,113</u></u>	<u><u>\$159,947,797</u></u>	<u><u>\$145,082,316</u></u>

**REPORT OF INDEPENDENT  
PUBLIC ACCOUNTANTS**

**2018**



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## **INDEPENDENT ACCOUNTANTS' REPORT**

To the Managing Committee of  
Montana-Dakota Utilities Co.:

We have examined the accompanying schedules of the Cost of Gas per dk and Fuel and Purchased Power Cost per kWh (collectively, "the Schedules") of Montana-Dakota Utilities Co. (the "Company"), a wholly-owned subsidiary of MDU Resources Group Inc., for the period from January 1, 2018 to December 31, 2018. The Company's management is responsible for the calculation of the cost of gas per dk and fuel and purchased power cost per kWh in the Schedules in accordance with the criteria established by the North Dakota Public Service Commission (the "Commission") and based upon Chapters 69-09-01-30 and 69-09-02-39 of the North Dakota Administrative Code (the "Code") and Cost of Gas Rate 88 and Fuel and Purchased Power Adjustment Rate 58 (the "Tariffs") filed by the Company with the Commission. Our responsibility is to express an opinion on these Schedules 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 Schedules are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Schedules. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedules, 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 Schedules of the Cost of Gas per dk and Fuel and Purchased Power Cost per kWh of Montana-Dakota Utilities Co. for the period from January 1, 2018 to December 31, 2018, present the cost of gas per dk and the fuel and purchased power cost per kWh in accordance with Chapters 69-09-01-30 and 69-09-02-39 of the North Dakota Administrative Code and Cost of Gas Rate 88 and Fuel Clause Rate 58, 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.

*Deloitte & Touche LLP*

April 5, 2019

**MONTANA-DAKOTA UTILITIES CO.**

**SCHEDULE OF 2018 COST OF GAS PER DK**

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**Effective for the Month of:**

	<b>Cost of Gas Factor</b>		
	<b>Residential and</b>	<b>Small and</b>	<b>Air Force</b>
	<b>General Service</b>	<b>Large</b>	<b>Interruptible</b>
	<b>(\$)</b>	<b>Interruptible</b>	<b>Interruptible</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
January (1)	3.966	2.911	2.873
February (1)	3.966	2.911	2.873
March	4.266	3.188	3.150
April	3.737	2.663	2.626
May	3.356	2.286	2.251
June (1)	3.356	2.286	2.251
July	3.503	2.430	2.394
August (1)	3.503	2.430	2.394
September	3.697	2.638	2.601
October	3.472	2.628	2.605
November	3.695	2.529	2.507
December	4.258	3.102	3.077

(1) No Cost of Gas filing was required for the indicated month pursuant to Cost of Gas Adjustment Rate 88, since the change was less than \$0.10 per dekatherm.

**MONTANA-DAKOTA UTILITIES CO.**

**SCHEDULE OF 2018 FUEL AND PURCHASED POWER COST PER kWh**

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<b>Rate Effective Date</b>	<b>Primary (\$)</b>	<b>Secondary (\$)</b>
January 1, 2018	0.02207	0.02285
February 1, 2018	0.02292	0.02370
March 1, 2018	0.02304	0.02366
April 1, 2018	0.02408	0.02484
May 1, 2018	0.02225	0.02292
June 1, 2018	0.02110	0.02177
July 1, 2018	0.02109	0.02188
August 1, 2018	0.02029	0.02119
September 1, 2018	0.02222	0.02326
October 1, 2018	0.02348	0.02457
November 1, 2018	0.02322	0.02435
December 1, 2018	0.02515	0.02625



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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 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, 2018 to December 31, 2018. 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 Chapter 69-09-01-30 of the North Dakota Administrative Code (the "Code") and the Cost of Gas Rate 88 (the "Tariff") 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, 2018 to December 31, 2018, presents the cost of gas in accordance with Chapter 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.

*Deloitte & Touche LLP*

April 5, 2019

**GREAT PLAINS NATURAL GAS CO.**

**SCHEDULE OF 2018 COST OF GAS PER DK**

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<b>Effective for the Month of:</b>	<b>Cost of Gas Factor</b>	
	<b>Firm (\$)</b>	<b>Interruptible (\$)</b>
January	4.6154	2.9265
February	5.8814	4.1925
March	4.3855	2.6966
April	4.2323	2.5434
May	4.2421	2.5532
June	4.6465	2.8790
July	4.6787	2.9112
August	4.7656	2.9981
September	4.7896	3.0221
October	4.9637	3.1962
November	5.9194	4.0813
December	6.7594	4.9213