

NORTH DAKOTA PUBLIC SERVICE COMMISSION

December 1, 2004

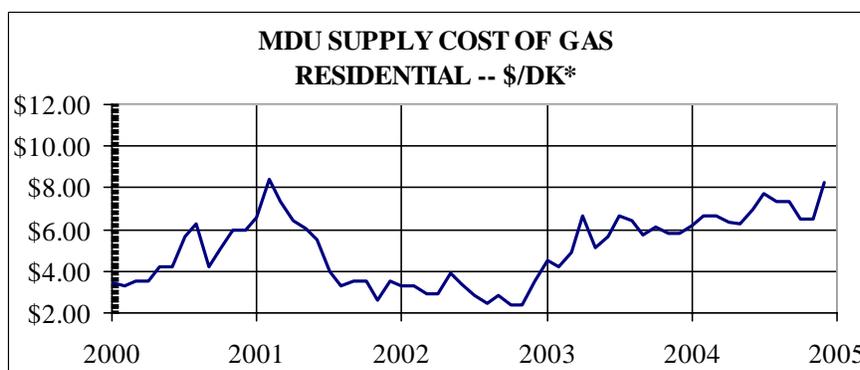
**Montana-Dakota Utilities Co., a Division of
MDU Resources Group, Inc.
December 2004
Cost of Gas Adjustment-Natural Gas**

**PU-04-595
Filed 11/12/2004**

SUMMARY OF PROPOSAL:

MDU is increasing its Cost of Gas charge by \$1.735 per dekatherm (dk) compared to last month. This Cost of Gas charge will be applied to natural gas bills issued during December 2004. This changes the Cost of Gas charge from \$6.492 per dk to \$8.227 per dk.

For residential consumption of 18.8 dk (representative of December), the cost of gas in the bill will be approximately \$32.62 higher than last month and \$44.86 higher than December 2003. There were 85,231 MDU customers in North Dakota as of September 30, 2004.



The cost of gas change is due to:

- \$1.685 per dk increase in the commodity cost of gas.
- \$.05 per dk increase due to the firm transportation capacity that is added each year for the period November 1 through March 31.

The change in cost for third party commodity purchases is attributed to losses in the Gulf of Mexico from Hurricane Ivan and the heating season now under way, even though underground storage gas levels at the end of October reached the highest level since 1991.

For MDU, the Cost of Gas for the month is locked in by contract on the 1st or 2nd business day of the month based on the Rocky Mountain CIG (Colorado Interstate Gas Company) Index. The Department of Energy's (DOE) Energy Information Administration's (EIA) Natural Gas Weekly Update states that, for the week of November 2-9, most Rockies price declines ranged between \$1.05 and \$1.29 per MMBtu. The declines were among the highest in the country, resulting from a temporary warming of temperatures in the region. In the Northwest, a region also experiencing seasonally

moderate temperatures, prices were close to or over \$1.00 per MMBtu lower than the previous week. Therefore, if the weather remains mild, gas prices may not increase for January.

The Rocky Mountain CIG Index is based on a detailed price discovery survey by several natural gas periodicals, such as the “Inside FERC Gas Market” report and “Gas Daily” by McGraw Hill, or prices paid by willing sellers and buyers of quantities of gas in that region.

The Department of Energy’s (DOE) Energy Information Administration (EIA) provides various publications on energy issues. The information is available on the EIA website: <http://www.eia.doe.gov>.

M O T I O N

December 1, 2004

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December 2004
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Case No. PU-04-595

I move the Commission approve Montana-Dakota Utilities Co.'s Natural Gas
Cost of Gas Adjustment for December 2004, Case No. PU-04-595.

PJF/sdh