

NORTH DAKOTA PUBLIC SERVICE COMMISSION
September 21, 2005

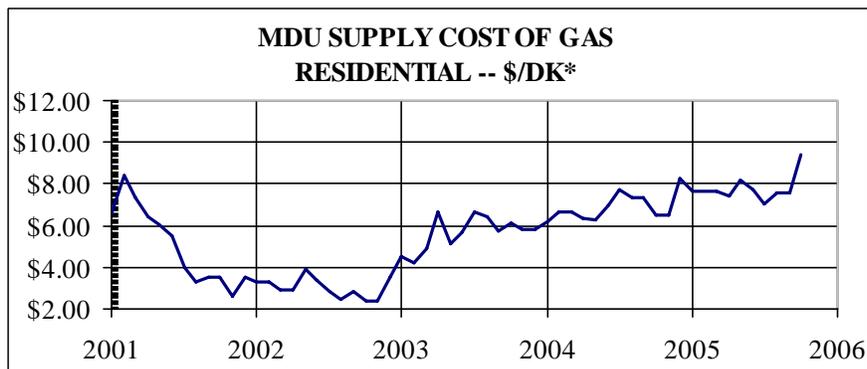
**Montana-Dakota Utilities Co., a Division of
MDU Resources Group, Inc.
October 2005
Cost of Gas Adjustment-Natural Gas**

**PU-05-523
Filed 09/09/2005**

SUMMARY OF PROPOSAL:

MDU is increasing its Cost of Gas charge by \$1.819 per dekatherm (dk) compared to last month. This Cost of Gas charge will be applied to natural gas bills issued during October 2005. This changes the Cost of Gas charge from \$7.580 per dk to \$9.399 per dk.

For residential consumption of 7.0 dk (representative of October), the cost of gas in the bill will be approximately \$12.73 higher than last month and \$20.35 higher than October 2004. There were 85,971 MDU customers in North Dakota as of July 31, 2005.



The cost of gas change is due to:

- \$1.815 per dk increase in the commodity cost of gas.
- \$0.039 per dk increase in pipeline rates.
- \$0.035 per dk decrease in expense related to prepaid commodity and storage balances.

The change in cost for third party commodity purchases may be the result of Hurricane Katrina along with warmer than normal nationwide temperatures resulting in higher demand for gas fired electric generation for summer cooling. Although storage levels are about 4% higher than the 5-year average, gas supply is expected to remain tight and high crude oil prices combined with a strong economy and limited hydroelectric sources in the northwest are reasons for continuing high natural gas prices.

For MDU, the Cost of Gas for the month is locked in by contract on the 1st or 2nd business day of the preceding month based on the Rocky Mountain CIG (Colorado Interstate Gas Company) Index.

The Rocky Mountain CIG Index is based on a 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>.

MOTION

September 21, 2005

**Montana-Dakota Utilities Co., A Division of
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October 2005
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Case No. PU-05-523

I move the Commission approve Montana-Dakota Utilities Co.'s Natural Gas
Cost of Gas Adjustment for October 2005, Case No. PU-05-523.

PJF/sdh