

NORTH DAKOTA PUBLIC SERVICE COMMISSION
July 26, 2006

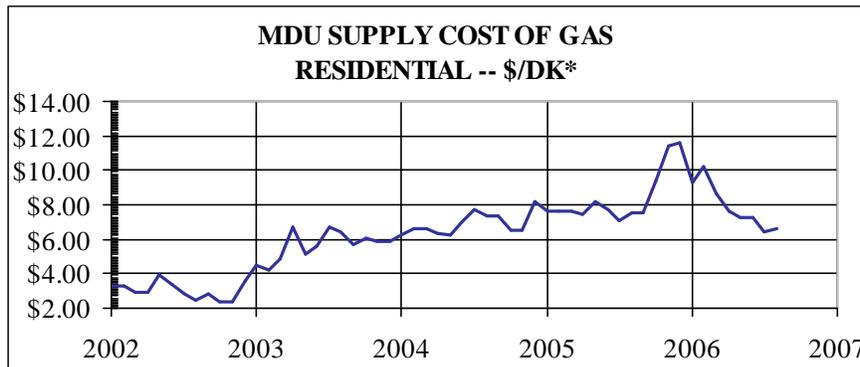
**Montana-Dakota Utilities Co., a Division of
MDU Resources Group, Inc.
August 2006
Cost of Gas Adjustment-Natural Gas**

**PU-06-297
Filed 07/11/2006**

SUMMARY OF PROPOSAL:

MDU is increasing its Cost of Gas charge by \$0.212 per dekatherm (dk) compared to last month. This Cost of Gas charge will be applied to natural gas bills issued during August 2006. This changes the Cost of Gas charge from \$6.413 per dk to \$6.625 per dk.

For residential consumption of 2.0 dk (representative of August), the cost of gas in the bill will be approximately \$.42 higher than last month and \$1.91 lower than August 2005. As of June 30, 2005 MDU served 87,071 natural gas customers in North Dakota.



The cost of gas change is due to:

- \$0.212 per dk increase in the commodity cost of gas.

The increase in the price of gas for sale is attributed anticipated demand for summer air conditioning and a prediction of an above normal hurricane season. Volumes of natural gas in storage on June 30 were 29 percent above the five year average, however, futures prices remain high and are likely reflecting market expectation for persisting tight supply of natural gas.

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 monthly price for the Rocky Mountain CIG Index is indicative of a majority of the supplies Montana-Dakota purchases for its requirements.

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

July 26, 2006

**Montana-Dakota Utilities Co., A Division of
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August 2006
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Case No. PU-06-297

I move the Commission approve Montana-Dakota Utilities Co.'s Natural Gas
Cost of Gas Adjustment for August 2006, Case No. PU-06-297.

PJF