

NORTH DAKOTA PUBLIC SERVICE COMMISSION  
September 20, 2006

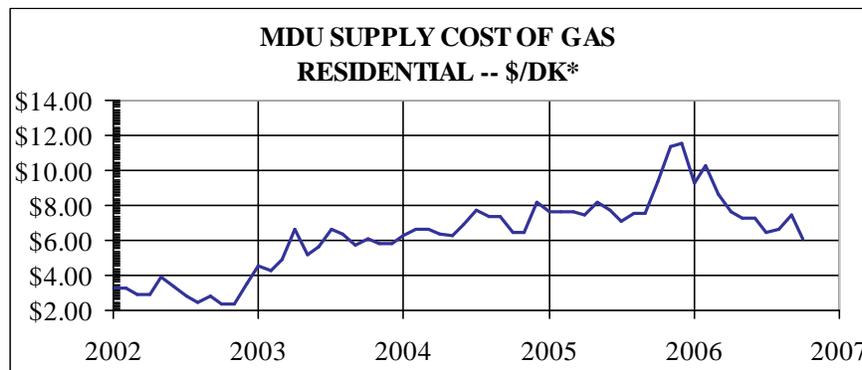
**Montana-Dakota Utilities Co., a Division of  
MDU Resources Group, Inc.  
October 2006  
Cost of Gas Adjustment-Natural Gas**

**PU-06-403  
Filed 09/11/2006**

**SUMMARY OF PROPOSAL:**

MDU is decreasing its Cost of Gas charge by \$1.297 per dekatherm (dk) compared to last month. This Cost of Gas charge will be applied to natural gas bills issued during October 2006. This changes the Cost of Gas charge from \$7.429 per dk to \$6.132 per dk.

For residential consumption of 7.0 dk (representative of October), the cost of gas in the bill will be approximately \$9.08 lower than last month and \$22.87 lower than October 2005. As of August 31, 2005 MDU served 87,006 natural gas customers in North Dakota.



The cost of gas change is due to:

- \$0.854 per dk decrease in the commodity cost of gas.
- \$0.032 per dk increase in pipeline rates.
- \$0.475 per dk decrease in the Surcharge Adjustment for the Unrecovered Purchased Gas Account (out-of-cycle adjustment).

The decrease in the price of gas for sale is attributed to moderate temperatures across the United States that reduced demand for gas-fired electric generation, a revised prediction showing lower potential for hurricane activity, and continued high storage balance. Volumes of natural gas in storage on September 1 were 12 percent above the five year average, however, futures prices remain high and are likely reflecting market expectation for persisting tight supply of natural gas. An out-of-cycle adjustment to the over/under-recovery mechanism surcharge is requested due to the current over recovery in that account.

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>.

# **M O T I O N**

**September 20, 2006**

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

**Case No. PU-06-403**

I move the Commission grant Montana-Dakota Utilities Co.'s request to waive its Purchased Gas Cost Adjustment tariff to the extent necessary to allow an out-of-cycle Surcharge Adjustment concerning the balance in the Unrecovered Purchased Gas Account and approve Montana-Dakota Utilities Co.'s Natural Gas Cost of Gas Adjustment for October 2006, Case No. PU-06-403.

PJF