

NORTH DAKOTA PUBLIC SERVICE COMMISSION
January 24, 2007

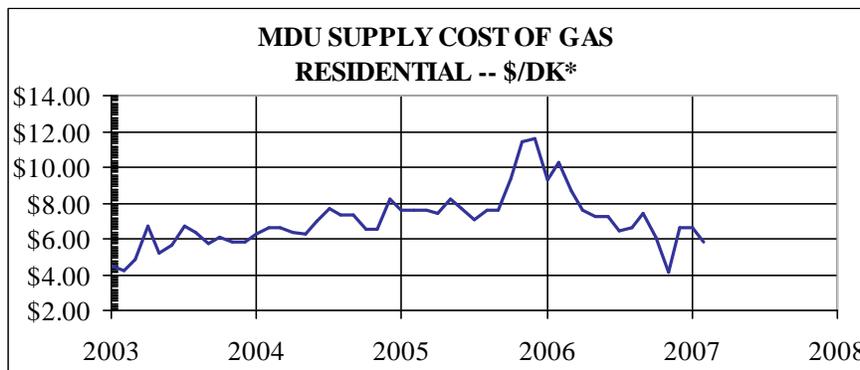
**Montana-Dakota Utilities Co., a Division of
MDU Resources Group, Inc.
February 2007
Cost of Gas Adjustment-Natural Gas**

**PU-07-12
Filed 01/12/2007**

SUMMARY OF PROPOSAL:

MDU is decreasing its Cost of Gas charge by \$0.754 per dekatherm (dk) compared to last month. This Cost of Gas charge will be applied to natural gas bills issued during February 2007. This changes the Cost of Gas charge from \$6.618 per dk to \$5.864 per dk.

For residential consumption of 13.0 dk (representative of February), the cost of gas in the bill will be approximately \$9.80 lower than last month and \$57.01 lower than February 2006. As of December 31, 2006 MDU served 88,313 natural gas customers in North Dakota.



The cost of gas change is due to:

- \$0.819 per dk decrease in the commodity cost of gas.
- \$0.001 per dk increase in pipeline rates.
- \$0.064 per dk increase in prepaid commodity and storage balances.

The decrease in the price of gas for sale is attributed to warmer than normal weather over much of the nation in December, lessening space-heating demand. Volumes of natural gas in storage on December 29 were approximately 15 percent above the five year average.

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>.