



**UTILITIES CO.**

*A Division of MDU Resources Group, Inc.*

400 North Fourth Street  
Bismarck, ND 58501  
(701) 222-7900

April 10, 2008

Executive Secretary  
North Dakota Public Service  
Commission  
State Capitol Building  
Bismarck, ND 58505

Re: Purchased Propane Cost Adjustment

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., respectfully submits an original and seven (7) copies of a Purchased Propane Cost Adjustment (PCA) change pursuant to the terms of Rate 99.

Montana-Dakota respectfully requests a deviation from Section 4 of its Rate 99 tariff, pursuant to North Dakota Rules Chapter 69-09-01-30 9. Section 4 of the Rate 99 tariff specifies that the unrecovered purchase cost of gas account will be calculated by dividing the applicable balance by the estimated dk sales for the twelve months following the effective date of the adjustment. Montana-Dakota is proposing to amortize the unrecovered cost balance over a 24 month time period.

Montana-Dakota purchases propane supplies from various wholesale suppliers. The cost of propane has decreased since the last PCA filing due to a decrease in the market price of propane. Attachment A explains the reasons for the decrease in the market price of propane. In addition, this filing reflects the annual change in the surcharge adjustment and margin sharing provision.

Exhibit A, page 1 summarizes the propane cost adjustment, calculated pursuant to the terms of Rate 99, which will apply during the month of May 2008. The net effect of this filing is a decrease of \$0.882 per dk for all customers from the currently effective rates.

Exhibit A, page 2 shows the calculation of the current propane cost adjustment which will be applicable to Montana-Dakota's customers for the month of May 2008. The average cost of propane for all customers, adjusted for losses, is \$16.467 per dk.

Exhibit B shows the calculation of the surcharge adjustment under Montana-Dakota's proposed amortization which will apply during the period May 1, 2008 through April 30, 2010. The surcharge is \$0.406 per dk, an increase of \$0.767 per dk for all customers. Absent the requested deviation of Rule 69-09-01-30 9, the surcharge adjustment would be \$0.812 per dk, an increase of \$1.173 per dk which, together with current high propane prices, would place an undue burden on customers.

Exhibit C shows the calculation of the interruptible margin sharing provision pursuant to the Rate 88 tariff. Fifty percent of the non-gas commodity revenues received from small and large interruptible sales in excess of the authorized level are credited to residential and firm general service customers through the PCA. A credit of \$0.009 per dk will be applicable to all residential and general service customers for the period May 1, 2008 through April 30, 2009. This reflects a decrease to customers of \$0.002 per dk from the current adjustment.

The proposed adjustment, calculated in accordance with Rate 99, will amount to a decrease of approximately \$2,496 during the month of May 2008. All of Montana-Dakota's propane customers in North Dakota may be affected by this proposal. There were 335 propane customers in North Dakota as of March 31, 2008.

Montana-Dakota submitted a check for the amount of \$300.00 on December 12, 2007, in accordance with North Dakota Century Code Section 49-05-05. This payment will cover the filing fee associated with the monthly Propane COG filings for January through June, 2008.

Please refer all inquiries regarding this filing to:

Ms. Rita A. Mulkern  
Regulatory Analysis Manager  
Montana-Dakota Utilities Co.  
400 North Fourth Street  
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleadings to:

Mr. Daniel S. Kuntz  
Assistant General Counsel  
MDU Resources Group, Inc.  
P. O. Box 5650  
Bismarck, ND 58506-5650

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,

A handwritten signature in cursive script that reads "Donald R. Ball".

Donald R. Ball  
Vice President – Regulatory Affairs


Attachments

STATE OF NORTH DAKOTA     )  
COUNTY OF BURLEIGH        )

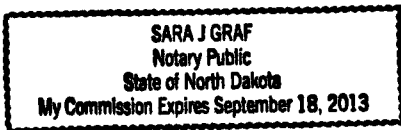
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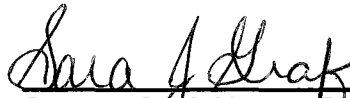
Donald R. Ball, being first duly sworn, deposes and says; that he is the Vice President – Regulatory Affairs of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., that he has supervised the preparation of the foregoing statements, certifies that all of the statements are based on the records of the respondent, and that the same is true and correct to the best of his knowledge, information and belief.

Dated this 10th day of April, 2008.

  
\_\_\_\_\_  
Donald R. Ball

Subscribed and sworn to before me this 10th day of April, 2008.



  
\_\_\_\_\_  
Sara J. Graf, Notary Public  
Burleigh County, North Dakota  
My Commission Expires: 09/18/2013

OF COUNSEL:

Daniel S. Kuntz  
Assistant General Counsel  
MDU Resources Group, Inc.  
PO Box 5650  
Bismarck, ND 58506-5650

**Montana-Dakota Utilities Co.  
Market Conditions for Regional Propane  
May 2008**

Montana-Dakota uses three regional bulk wholesale propane suppliers for obtaining the lowest prices for Hettinger customers. Each time Montana-Dakota purchases propane, it requests a price quote from each supplier for a specific delivery date and quantity in truckloads, delivering 8,000 to 12,000 gallons. Montana-Dakota selects the lowest price, all other things being equal.

The April prices for propane have decreased from the previous level. A change in the price of propane is generally driven by a combination of crude oil prices, weather, demand and inventory levels. Although prices have eased, record high crude oil prices and a continuing regional shortage of propane supply continues to cause price pressure on propane.

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

**MONTANA-DAKOTA UTILITIES CO.  
COST OF GAS - PROPANE TARIFF SHEET  
NORTH DAKOTA PROPANE  
EFFECTIVE MAY 2008**

**Cost of Gas - Propane:**

Current Propane Cost (Exhibit A)	\$16.467
Prior Propane Cost	<u>18.114</u>
Current Propane Cost Adjustment	<u><u>(\$1.647)</u></u>

**Surcharge Adjustment:**

Current Adjustment (Exhibit B)	\$0.406
Prior Adjustment	<u>(0.361)</u>
Change in Surcharge Adjustment	\$0.767

**Margin Sharing Provision**

Current Adjustment (Exhibit C)	(\$0.009)
Prior Adjustment	<u>(0.007)</u>
Change in Margin Sharing Provision	(\$0.002)

**Net Increase (Decrease) in Gas Costs** (\$0.882)

Propane Cost Level	\$16.467
Plus: Surcharge	<u>0.406</u>
Total Propane Cost Level in Rates	<u><u>\$16.873</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
COST OF GAS - PROPANE  
NORTH DAKOTA  
EFFECTIVE MAY 2008**

Cost of Purchased Propane	\$46,392
Gallons Purchased	30,928
Projected dk Sales	2,830
Propane Cost per Dk	\$16.393
Average Cost of Propane as Adjusted for Losses @ 99.55%	16.467
Less: Propane Cost Level in Rates 1/	<u>18.114</u>
Current Propane Cost Adjustment	<u><u>(\$1.647)</u></u>

1/ Propane Cost Level in Current Rates - Case No. PU-08-121

**MONTANA-DAKOTA UTILITIES CO.  
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ADJUSTMENT  
APPLICABLE TO NORTH DAKOTA  
PROPANE  
TO BE EFFECTIVE MAY 1, 2008 THROUGH APRIL 30, 2010**

(Over)/under recovered propane costs @ February 29, 2008 \$39,463

Less: Projected recovery from rates already established

	Volume	Rate	Amount
March	6,220	(\$0.361)	(2,245)
April	4,210	(0.361)	(1,520)
	10,430		(3,765)
 Additional recovery required			 \$43,228

Projected sales volumes (dk)

May 2008	2,830
June	1,730
July	1,260
August	1,450
September	2,390
October	3,970
November	5,970
December	7,930
January 2009	8,380
February	6,890
March	6,220
April	4,210
May	2,830
June	1,730
July	1,260
August	1,450
September	2,390
October	3,970
November	5,970
December	7,930
January 2010	8,380
February	6,890
March	6,220
April	4,210
 Total	 106,460

Total (over)/under recovered propane cost adjustment  
to be effective May 1, 2008 through April 30, 2010

**\$0.406**

**MONTANA-DAKOTA UTILITIES CO.  
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ACCOUNT BALANCE  
APPLICABLE TO NORTH DAKOTA  
PROPANE**

	<u>(Over) Under Recovery</u>	<u>Refunds &amp; Other</u>	<u>Interest 1/</u>	<u>Total Net Additions</u>	<u>Actual Dk Sales</u>	<u>Adjustment Per Dk</u>	<u>Total Adjustment Amount</u>	<u>Net Change- Additions less Adjustment</u>	<u>Cumulative Balance</u>
<b>Balance @ February 28, 2007</b>									<b><u><u>(\$20,317)</u></u></b>
March	\$3,319	\$0	(\$53)	\$3,266	6,099	(\$0.106)	(\$646)	\$3,912	(16,405)
April	(6,102)	0	(41)	(6,143)	4,830	(0.106)	(512)	(5,631)	(22,036)
May	(10,620)	0	(55)	(10,675)	2,047	(0.361)	(739)	(9,936)	(31,972)
June	2,252	0	(79)	2,173	1,587	(0.361)	(573)	2,746	(29,226)
July	302	0	(115)	187	1,164	(0.361)	(420)	607	(28,619)
August	4,391	0	(98)	4,293	1,104	(0.361)	(399)	4,692	(23,927)
September	14,234	0	(74)	14,160	1,227	(0.361)	(443)	14,603	(9,324)
October	16,040	0	(26)	16,014	2,496	(0.361)	(901)	16,915	7,591
November	11,386	0	26	11,412	4,156	(0.361)	(1,500)	12,912	20,503
December	9,482	0	56	9,538	6,727	(0.361)	(2,428)	11,966	32,469
January 2008	10,178	0	79	10,257	8,060	(0.361)	(2,910)	13,167	45,636
February	(9,420)	0	55	(9,365)	8,843	(0.361)	(3,192)	(6,173)	39,463
<b>Balance @ February 29, 2008</b>									<b><u><u>\$39,463</u></u></b>

1/ Interest calculated at 90 day Treasury Note rate.

**MONTANA-DAKOTA UTILITIES CO.**  
**COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS**  
**APPLICABLE TO NORTH DAKOTA**  
**PROPANE**

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
<b>MARCH 2007-FEBRUARY UNBILLED</b>			
Purchased gas	7,842	\$97,608	\$12.44682
Base cost of gas			11.52700
(Over) Under recovery per dk			0.91982
dk billed			2,333
(Over) Under recovery			\$2,146
<b>MARCH 2007</b>			
Purchased gas	5,322	63,004	\$11.83841
Base cost of gas			11.52700
(Over) Under recovery per dk			0.31141
dk billed			3,766
(Over) Under recovery			\$1,173
<b>APRIL 2007-MARCH UNBILLED</b>			
Purchased gas	5,322	63,004	\$11.83841
Base cost of gas			11.52700
(Over) Under recovery per dk			0.31141
dk billed			1,487
(Over) Under recovery			\$463
<b>APRIL 2007</b>			
Purchased gas	3,954	37,813	\$9.56323
Base cost of gas			11.52700
(Over) Under recovery per dk			(1.96377)
dk billed			3,343
(Over) Under recovery			(\$6,565)
<b>MAY 2007-APRIL UNBILLED</b>			
Purchased gas	3,954	37,813	\$9.56323
Base cost of gas			10.97800
(Over) Under recovery per dk			(1.41477)
dk billed			560
(Over) Under recovery			(\$792)
<b>MAY 2007</b>			
Purchased gas	1,647	7,194	\$4.36794
Base cost of gas			10.97800
(Over) Under recovery per dk			(6.61006)
dk billed			1,487
(Over) Under recovery			(\$9,828)
<b>JUNE 2007-MAY UNBILLED</b>			
Purchased gas	1,647	7,194	\$4.36794
Base cost of gas			10.97800
(Over) Under recovery per dk			(6.61006)
dk billed			138
(Over) Under recovery			(\$911)

**MONTANA-DAKOTA UTILITIES CO.**  
**COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS**  
**APPLICABLE TO NORTH DAKOTA**  
**PROPANE**

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
<b>JUNE 2007</b>			
Purchased gas	1,591	20,939	\$13.16091
Base cost of gas			10.97800
(Over) Under recovery per dk			2.18291
dk billed			1,449
(Over) Under recovery			\$3,163
<b>JULY 2007-JUNE UNBILLED</b>			
Purchased gas	1,591	20,939	\$13.16091
Base cost of gas			10.97800
(Over) Under recovery per dk			2.18291
dk billed			121
(Over) Under recovery			\$264
<b>JULY 2007</b>			
Purchased gas	1,052	11,587	\$11.01426
Base cost of gas			10.97800
(Over) Under recovery per dk			0.03626
dk billed			1,043
(Over) Under recovery			\$38
<b>AUGUST 2007-JULY UNBILLED</b>			
Purchased gas	1,052	11,587	\$11.01426
Base cost of gas			10.97800
(Over) Under recovery per dk			0.03626
dk billed			(4)
(Over) Under recovery			\$0
<b>AUGUST 2007</b>			
Purchased gas	1,310	19,573	\$14.94147
Base cost of gas			10.97800
(Over) Under recovery per dk			3.96347
dk billed			1,108
(Over) Under recovery			\$4,391
<b>SEPTEMBER 2007-AUGUST UNBILLED</b>			
Purchased gas	1,310	19,573	\$14.94147
Base cost of gas			11.52700
(Over) Under recovery per dk			3.41447
dk billed			185
(Over) Under recovery			\$631
<b>SEPTEMBER 2007</b>			
Purchased gas	1,153	28,345	\$24.58335
Base cost of gas			11.52700
(Over) Under recovery per dk			13.05635
dk billed			1,042
(Over) Under recovery			\$13,603

**MONTANA-DAKOTA UTILITIES CO.**  
**COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS**  
**APPLICABLE TO NORTH DAKOTA**  
**PROPANE**

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
<b>OCTOBER 2007-SEPTEMBER UNBILLED</b>			
Purchased gas	1,153	28,345	\$24.58335
Base cost of gas			11.52700
(Over) Under recovery per dk			13.05635
dk billed			96
(Over) Under recovery			\$1,252
<b>OCTOBER 2007</b>			
Purchased gas	3,371	59,631	\$17.68942
Base cost of gas			11.52700
(Over) Under recovery per dk			6.16242
dk billed			2,400
(Over) Under recovery			\$14,788
<b>NOVEMBER 2007-OCTOBER UNBILLED</b>			
Purchased gas	3,371	59,631	\$17.68942
Base cost of gas			13.17300
(Over) Under recovery per dk			4.51642
dk billed			927
(Over) Under recovery			\$4,188
<b>NOVEMBER 2007</b>			
Purchased gas	5,763	88,762	\$15.40212
Base cost of gas			13.17300
(Over) Under recovery per dk			2.22912
dk billed			3,229
(Over) Under recovery			\$7,198
<b>DECEMBER 2007-NOVEMBER UNBILLED</b>			
Purchased gas	5,763	88,762	\$15.40212
Base cost of gas			16.46700
(Over) Under recovery per dk			(1.06488)
dk billed			2,459
(Over) Under recovery			(\$2,618)
<b>DECEMBER 2007</b>			
Purchased gas	7,443	143,667	\$19.30232
Base cost of gas			16.46700
(Over) Under recovery per dk			2.83532
dk billed			4,268
(Over) Under recovery			\$12,100
<b>JANUARY 2008-DECEMBER UNBILLED</b>			
Purchased gas	7,443	143,667	\$19.30232
Base cost of gas			17.01700
(Over) Under recovery per dk			2.28532
dk billed			3,079
(Over) Under recovery			\$7,037

**MONTANA-DAKOTA UTILITIES CO.  
COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS  
APPLICABLE TO NORTH DAKOTA  
PROPANE**

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
<b>JANUARY 2008</b>			
Purchased gas	8,343	147,235	\$17.64767
Base cost of gas			17.01700
(Over) Under recovery per dk			0.63067
dk billed			4,981
(Over) Under recovery			\$3,141
<b>FEBRUARY 2008-JANUARY UNBILLED</b>			
Purchased gas	8,343	147,235	\$17.64767
Base cost of gas			18.66300
(Over) Under recovery per dk			(1.01533)
dk billed			3,254
(Over) Under recovery			(\$3,303)
<b>FEBRUARY 2008</b>			
Purchased gas	7,853	137,966	\$17.56857
Base cost of gas			18.66300
(Over) Under recovery per dk			(1.09443)
dk billed			5,589
(Over) Under recovery			(\$6,117)

**MONTANA-DAKOTA UTILITIES CO.  
NORTH DAKOTA GAS  
INTERRUPTIBLE MARKET SHARING PROVISION  
EFFECTIVE MAY 1, 2008 THROUGH APRIL 30, 2009**

Balance of Accumulated Revenues 1/	\$121,239
Projected Residential & General Service Sales Volumes	<u>13,988,606</u>
Interruptible Margin Sharing Provision	<u><u>\$0.009</u></u>

1/ Represents 50% of margin above the approved margin from all interruptible sales.