

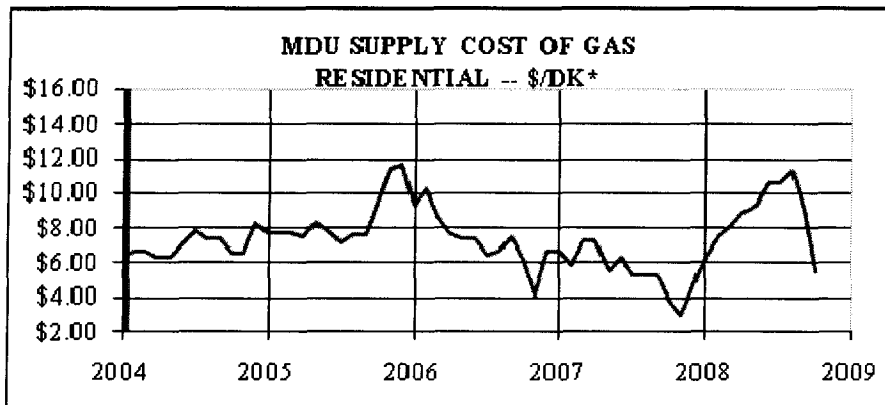
NORTH DAKOTA PUBLIC SERVICE COMMISSION
October 8, 2008

Montana-Dakota Utilities Co., a Division of
MDU Resources Group, Inc.
October 2008
Cost of Gas/Natural Gas

PU-08-757
Filed 09/10/2008

MDU is decreasing its Cost of Gas charge by \$3.53 per dekatherm (dk) compared to last month. This Cost of Gas charge will be applied to natural gas used in October 2008. The Cost of Gas charge will change from \$9.042 per dk to \$5.512 per dk.

For residential consumption of 7.0 dk (representative of October), the cost of gas in the bill will be approximately \$24.71 lower than last month and \$12.73 higher than October 2007. MDU served 89,651 natural gas customers in North Dakota as of August 31, 2008.



The cost of gas change is due to:

- \$4.418 per dk decrease in the commodity cost of gas.
- \$0.042 per dk increase in pipeline costs.
- \$0.845 per dk increase due to a change in the over/under recovery surcharge.
- \$0.001 per dk increase due to a change in the interruptible sales market-based pricing differential credit.

The change in the commodity cost of gas is largely attributed to pipeline constraints and stranded natural gas in the Rockies area as the Rockies Express Pipeline undergoes hydrostatic testing. Volumes of natural gas in storage were 3.7 percent above the five-year average as of August 29, 2008.

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>.