



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

ORIGINAL

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

October 10, 2008

RECEIVED

OCT 10 2008

PUBLIC SERVICE COMMISSION

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

Re: Cost of Gas – Propane (COG)
Case No. PU-08-___

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

Montana-Dakota purchases propane supplies from various wholesale suppliers. The cost of propane has decreased since the last COG 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 market based pricing differential.

Exhibit A, page 1 summarizes the cost of gas – propane calculated pursuant to the terms of Rate 99, which will apply during the month of November 2008. The net effect of this filing is a decrease of \$2.743 per dk for all customers from the currently effective rates.

Exhibit A, page 2 shows the calculation of the current cost of gas – propane that will be applicable to Montana-Dakota's customers for the month of November 2008. The average cost of propane for all customers, adjusted for losses, is \$15.919 per dk. A market based pricing differential credit of \$0.008 per dk will be applicable to all residential and general service customers for the period effective through September 30, 2009. This reflects a change of \$0.001 per dk from the current adjustment. The time period of this adjustment has been modified to coincide with the annual change in the market based pricing differential filed in the October Cost of Gas adjustment.

The proposed adjustment, calculated in accordance with Rate 99, will amount to a decrease of approximately \$16,376 during the month of November 2008. All of Montana-Dakota's propane customers in North Dakota may be affected by this proposal. There were 336 propane customers in North Dakota as of September 30, 2008.

Montana-Dakota submitted a check for the amount of \$300.00 on June 10, 2008, 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 June through December, 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
Associate 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,



Donald R. Ball
Vice President – Regulatory Affairs

Attachments

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

Cost of Gas - Propane:

Current Propane Cost	\$15.919
Prior Propane Cost	<u>18.663</u>
Current Propane Cost Adjustment	<u><u>(\$2.744)</u></u>

Surcharge Adjustment:

Current Adjustment	\$0.406
Prior Adjustment	<u>0.406</u>
Change in Surcharge Adjustment	\$0.000

Market Based Pricing Differential

Current Adjustment 1/	(\$0.008)
Prior Adjustment	<u>(0.009)</u>
Change in Margin Sharing Provision	\$0.001

Net Increase (Decrease) in Gas Costs **(\$2.743)**

Propane Cost Level	\$15.919
Plus: Surcharge	<u>0.406</u>
Total Propane Cost Level in Rates	<u><u>\$16.325</u></u>

1/ Case No. PU-08-757, Exhibit E.

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

Cost of Purchased Propane	\$94,604
Gallons Purchased	65,244
Projected dk Sales	5,970
Propane Cost per Dk	\$15.847
Average Cost of Propane as Adjusted for Losses @ 99.55%	15.919
Less: Propane Cost Level in Rates 1/	<u>18.663</u>
Current Propane Cost Adjustment	<u><u>(\$2.744)</u></u>

1/ Propane Cost Level in Current Rates - Case No. PU-08-477

**Montana-Dakota Utilities Co.
Market Conditions for Regional Propane
November 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 October 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. An ease in energy prices, including crude oil, have decreased the upward 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>