



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

December 10, 2008

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.

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 January 2009. The net effect of this filing is a decrease of \$3.293 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 January 2009. The average cost of propane for all customers, adjusted for losses, is \$10.978 per dk.

The proposed adjustment, calculated in accordance with Rate 99, will amount to a decrease of approximately \$30,300 during the month of January 2009. 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 November 30, 2008.

Montana-Dakota has attached a check for the amount of \$300.00 in accordance with North Dakota Century Code Section 49-05-05. This payment will cover the filing fee associated with Propane COG filings through June 2009.

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.
Market Conditions for Regional Propane
January 2009**

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 December 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, has resulted in a decrease in the price of 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 JANUARY 2009**

Cost of Gas - Propane:

Current Propane Cost	\$10.978
Prior Propane Cost	<u>14.271</u>
Current Propane Cost Adjustment	<u><u>(\$3.293)</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	(\$0.008)
Prior Adjustment	<u>(0.008)</u>
Change in Margin Sharing Provision	\$0.000

Net Increase (Decrease) in Gas Costs (\$3.293)

Propane Cost Level	\$10.978
Plus: Surcharge	<u>0.406</u>
Total Propane Cost Level in Rates	<u><u>\$11.384</u></u>

**MONTANA-DAKOTA UTILITIES CO.
COST OF GAS - PROPANE
NORTH DAKOTA
EFFECTIVE JANUARY 2009**

Cost of Purchased Propane	\$100,544
Gallons Purchased	100,544
Projected dk Sales	9,200
Propane Cost per Dk	\$10.929
Average Cost of Propane as Adjusted for Losses @ 99.55%	10.978
Less: Propane Cost Level in Rates 1/	<u>14.271</u>
Current Propane Cost Adjustment	<u><u>(\$3.293)</u></u>

1/ Propane Cost Level in Current Rates - Case No. PU-08-869