



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 Adjustment
(COG) Rate 88
Case No. PU-08-____

In accordance with North Dakota Century Code Section 49-05-05, 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 (COG) change pursuant to the terms of Rate 88.

Attachment A is the Rate Summary Sheet (70th Revised Sheet No. 3) showing the proposed natural gas rates, to be effective with service rendered January 1, 2009.

Montana-Dakota purchases gas supplies under a number of contracts. The commodity cost of gas has increased \$0.970 per dk since the last filing due to an increase in the overall market price of gas. Attachment B explains the reasons for the increase in the market price of gas. There also has been a change in pipeline rates, as shown on Attachment C, increasing the cost of gas \$0.001 per dk. In addition, firm transportation capacity was changed in certain areas of the system, resulting in a system wide change in demand allocation and an increase of approximately \$0.008 per dk.

The COG tariff sheet, Exhibit A, summarizes the gas cost adjustment, calculated pursuant to the terms of Rate 88, and the surcharge adjustment and market based pricing differential provision that will apply during the month of January 2009.

The net effect of this filing, calculated pursuant to the terms of Rate 88, is an increase of \$0.979 per dk for residential and firm general service customers, an increase of \$0.962 per dk for small and large interruptible customers and an increase of \$0.958 per dk for Air Force interruptible customers from the currently effective rates.

Exhibit B shows the calculation of the current gas cost adjustment that will be applicable to Montana-Dakota's customers for the month of January 2009. The average cost of gas for firm customers, adjusted for losses, is \$6.507.

Exhibit C shows the calculation of the return on storage inventory balances and prepaid

demand and commodity balances using the calculation procedure set forth in Rate 88.

The overall rate of return of 8.791% was authorized by the Commission in Case No. PU-04-97.

The proposed adjustment will amount to an increase of approximately \$2,712,500 during the month of January 2009. All of Montana-Dakota's retail gas customers in North Dakota may be affected by this proposal. There were 90,812 customers in North Dakota as of November 30, 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

Montana-Dakota also submits herewith its check for \$600.00 pursuant to the requirements of Section 49-05-05 of the North Dakota Century Code. This payment will cover the filing fee associated with the monthly COG filings for January through December, 2009.

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

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

Attachment A

**Rate Summary Sheet
(Proposed)**



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.
 400 N 4th Street
 Bismarck, ND 58501

State of North Dakota Gas Rate Schedule

NDPSC Volume 7
 70th Revised Sheet No. 3
 Canceling 69th Revised Sheet No. 3

RATE SUMMARY SHEET

Page 1 of 2

Rate Schedule	Sheet No.	Basic Service Charge	Distribution Delivery Charge	COG Items	Total Rate/ Dk
Residential Rate 60	4	\$0.30 per day	\$0.812	\$7.344	\$8.156
Air Force Rate 64	7				
Minot Air Force Base		\$1,000.00 per month			
PAR Site		\$135.00 per month			
Firm Service			\$0.138	\$7.344	\$7.482
Interruptible Service - PAR			\$0.120	\$5.949	\$6.069
Interruptible Service - MAFB			\$0.120	\$5.742	\$5.862
Firm General Service Rate 70	13				
Meters rated < 500 cubic feet		\$0.52 per day			
Meters rated > 500 cubic feet		\$1.75 per day	\$0.597	\$7.344	\$7.941
Small Interruptible Gas Rate 71	14	\$100.00 per month	(Maximum) \$0.871	\$5.949	(Maximum) \$6.820
Optional Seasonal Gas Service Rate 72	15				
Meters rated < 500 cubic feet		\$0.52 per day			
Meters rated > 500 cubic feet		\$1.75 per day			
Winter Gas Usage			\$0.597	\$7.426	\$8.023
Summer Gas Usage			\$0.597	\$6.501	\$7.098
Transportation Service	24				
Small Interruptible Rate 81		\$150.00 per month			
Maximum			\$0.427		
Minimum			\$0.102		
Fuel Charge				\$0.025	
Large Interruptible Rate 82		\$725.00 per month			
Maximum			\$0.298		
Minimum			\$0.061		
Fuel Charge				\$0.025	
Large Interruptible Gas Rate 85	27	\$675.00 per month	(Maximum) \$0.719	\$5.949	(Maximum) \$6.668
Residential Propane Rate 90	32	\$0.30 per day	\$0.812	\$11.376	\$12.188
Firm General Propane Rate 92	34				
Meters rated < 500 cubic feet		\$0.52 per day			
Meters rated > 500 cubic feet		\$1.75 per day	\$0.597	\$11.376	\$11.973

Date Filed: December 10, 2008

Effective Date:

Issued By: Donald R. Ball

Vice President - Regulatory Affairs

Case No.:

**Montana-Dakota Utilities Co.
Market Conditions for Regional Natural Gas**

January 2009

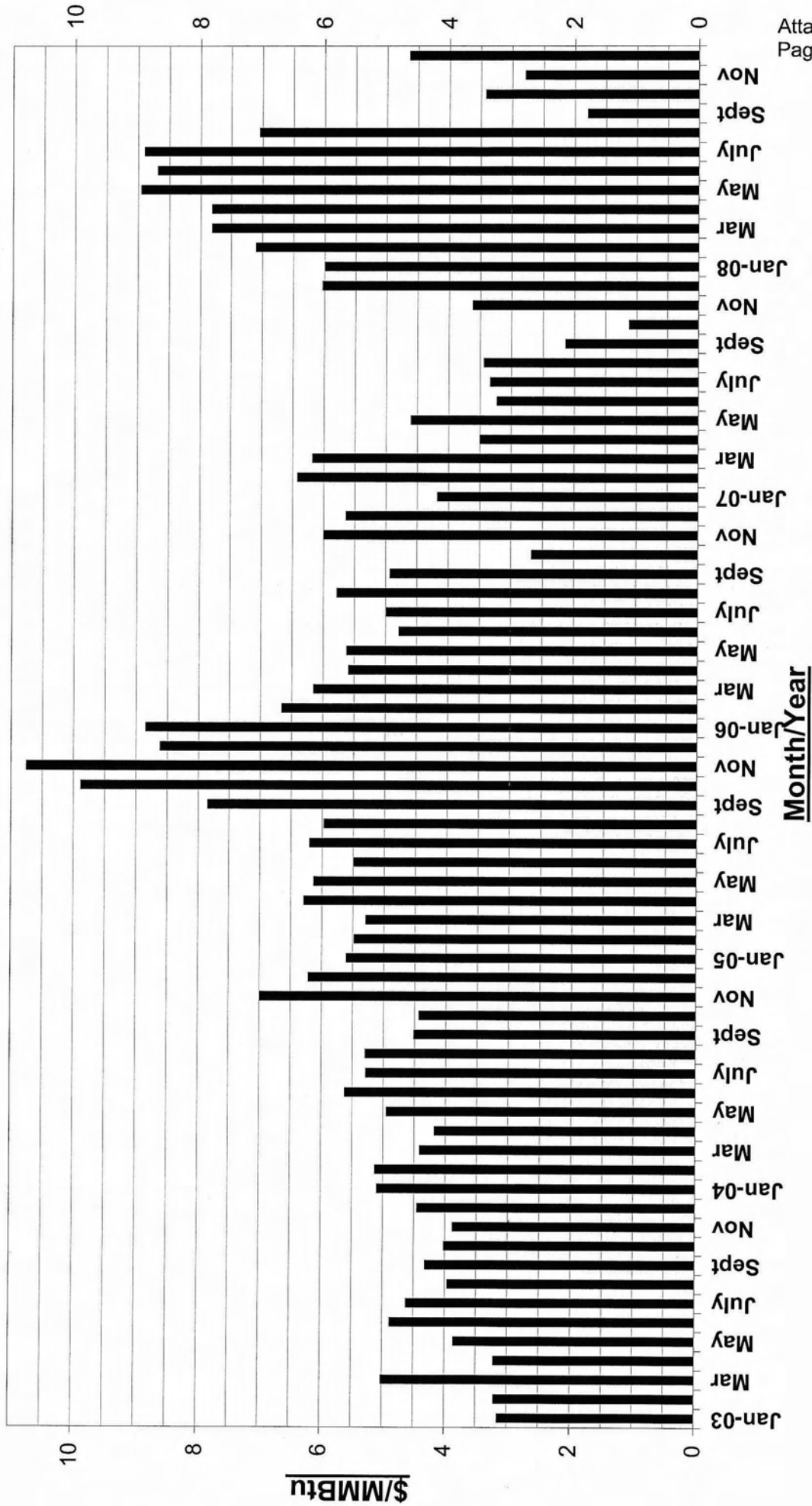
The established December monthly price for the Rocky Mountain CIG Index increased from the previous month. The CIG Rocky Mountain Index is based on a price discovery survey by several natural gas periodicals, including "Inside FERC Gas Market" report and "Gas Daily" by McGraw-Hill Companies, of prices paid by willing sellers and buyers of quantities of gas in that region. That price is most reflective of natural gas prices in the Rocky Mountain region and indicative of a majority of the supplies Montana-Dakota purchases for its requirements.

The price increase can likely be attributed to the seasonal increase in space heating load in the consuming regions of the U.S. The Department of Energy (DOE) Energy Information Administration (EIA) reported storage levels nationwide as of November 28, 2008 were 2.1 percent above the five year average and 3.1 percent below last year's balance.

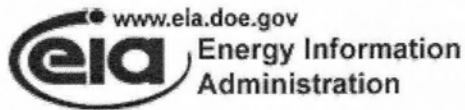
The EIA provides various publications on energy issues. The information is available on their website: <http://www.eia.doe.gov>.

The December Short-Term Energy Outlook specific to natural gas prices, supply and demand is provided as pages 3 through 10.

CIG Rocky Mountains Index Monthly Gas Prices 2003-2008



From Inside F.E.R.C.'s Gas Market Report
Annual Averages: - 2006-\$5.63; 2007-\$3.97; 2008-\$6.24



December 2008

Short-Term Energy Outlook

December 9, 2008 Release

Highlights

- The current global economic slowdown is now projected to be more severe and longer than in last month's *Outlook*, leading to further reductions of global energy demand and additional declines in crude oil and other energy prices.
- The monthly average price of West Texas Intermediate (WTI) crude oil has fallen by more than half between July and November, reflecting the fallout from the rapid decline in world petroleum demand. The annual average WTI price is now projected to be \$100 per barrel in 2008 and \$51 in 2009.
- The average U.S. prices for regular-grade gasoline and diesel fuel, at \$1.70 and \$2.52 per gallon respectively on December 8, were both more than \$2 per gallon below their highs in mid-July. With the assumption of a fragile economy throughout 2009, along with lower projected crude oil prices, annual average retail gasoline and diesel fuel prices in 2009 are projected to be \$2.03 and \$2.47 per gallon, respectively.
- Residential heating oil prices during this current heating season (October through March) are projected to average \$2.53 per gallon, a reduction of 24 percent from the 2007-2008 heating season. Residential propane prices are projected to average \$2.10 this winter, a decrease of 14 percent from last winter. Residential natural gas prices are projected to average \$12.56 per thousand cubic feet (Mcf), a decrease of 1.3 percent from last winter.
- The U.S. economic recession is also contributing to lower natural gas wellhead prices. The Henry Hub natural gas spot price is projected to decline from an average of \$9.17 per Mcf in 2008 to \$6.25 per Mcf in 2009.

Global Petroleum

Overview

The increasing likelihood of a prolonged global economic downturn continues to dominate market perceptions, putting downward pressure on oil prices. World real gross domestic product (GDP) growth is projected to slow from about 4 percent in 2006 and 2007 to about 2.7 percent this year and 0.5 percent in 2009. Last month's *Outlook* assumed world GDP would increase by 1.8 percent in 2009. The condition of the global economy and production decisions by members of the Organization of Petroleum Exporting Countries (OPEC) are expected to remain the crucial factors driving world oil prices.

Consumption. The status of the global economy has become the most important driver of oil consumption growth and EIA's oil consumption projections continue to be revised downward in response to lower forecasts for global economic growth. As a result, global oil consumption is expected to decline by 50,000 bbl/d in 2008 and by 450,000 bbl/d in 2009, which would mark the first time in 3 decades that world consumption would decline in 2 consecutive years. In both years, growth is concentrated in countries outside of the Organization for Economic Cooperation and Development (OECD), especially China, the Middle East, and Latin America. However, projected sharp declines in oil consumption in OECD countries more than offset any non-OECD oil consumption growth ([World Oil Consumption](#)). If the world economy recovers sooner or is stronger than EIA now anticipates, oil consumption could decline at a slower rate or potentially increase instead, putting upward pressure on oil prices.

Non-OPEC Supply. Non-OPEC supply is expected to decline by 310,000 bbl/d in 2008, reflecting a combination of factors that include large supply disruptions in Central Asia and the Gulf of Mexico and project delays. Although declines in many non-OPEC basins, especially Mexico, the North Sea and Russia, are expected to continue in 2009, EIA projects that total non-OPEC supply will grow by 410,000 bbl/d in 2009, with the largest sources of growth coming from Azerbaijan, Brazil and the United States.

The global economic slowdown and falling oil prices bring additional risk to the usual uncertainties (unexpected disruptions, project delays, underestimation of decline rates) concerning non-OPEC supply growth. Lower oil prices bring into doubt the viability of some high-cost non-OPEC projects, especially those utilizing nonconventional technology or those seeking to exploit frontier oil basins. The credit crunch associated with the global economic crisis can also make it difficult for oil

companies to acquire financing for new projects. If problems in global financial markets lead to delayed investment in existing and new oil fields, then even a short-lived economic downturn could have longer-term ramifications for world oil supply. This would heighten the risk of a return to a tight supply situation once the world economy and oil demand growth recover.

OPEC Supply. OPEC is scheduled to meet on December 17 to evaluate the effectiveness of its earlier decisions to cut production targets by 1.5 million bbl/d and to weigh the need for additional production cuts. Although the extent of OPEC members' compliance with the last production cut is still uncertain, EIA believes that the continued weak market conditions will prompt higher-than-usual compliance among OPEC members. It remains unclear whether production cuts so far are enough to avoid a counter-seasonal inventory build in the fourth quarter of 2008, a build that would add to downward price pressure over the winter. The position of some OPEC members at the upcoming meeting may be influenced by a desire to avoid excessive production cuts that might further tighten the market and trigger a sharp price rebound that could hurt the world economy.

EIA projects that OPEC crude production will fall from 32.6 million bbl/d in the third quarter of 2008 to 30.6 million bbl/d in the first quarter of 2009. OPEC crude production is expected to average 30.6 million bbl/d in 2009, about 1.6 million bbl/d below 2008 levels. The combination of lower demand for OPEC oil and capacity expansions expected in several OPEC countries would lead to a rise of surplus production capacity to an average of 4 million bbl/d in 2009 (OPEC Surplus Oil Production Capacity). In addition, EIA expects that OPEC production of non-crude liquids will rise substantially next year, growing by 770,000 bbl/d in 2009. Our price forecast for 2009 reflects both of these factors.

Inventories. Revised data indicate that OECD commercial inventories rose by 568,000 bbl/d in the third quarter of 2008, somewhat higher than historic rates for inventory builds during this time of year. OECD commercial inventories stood at 2.65 billion barrels at the end of the third quarter, equivalent to 57 days of forward consumption cover. On the basis of days of forward cover, OECD commercial inventories are well above historic levels, and EIA projects that they will remain there through the end of 2009 (Days of Supply of OECD Commercial Stocks).

U.S. Petroleum

Consumption. Buffeted by the increase in prices to record levels and the weakening economy, total petroleum products consumption in 2008 is projected to fall by 1.2 million bbl/d, or 5.8 percent, from the 2007 average (U.S. Petroleum Products

Consumption Growth). Motor gasoline consumption is projected to decline by 320,000 bbl/d, or 3.4 percent, in 2008 with the year-over-year decline narrowing to 50,000 bbl/d in 2009. Despite the recent cold weather that gripped much of the Nation, distillate fuel consumption is projected to decline by 240,000 bbl/d, or 5.7 percent, in 2008, and by an additional 70,000 bbl/d in 2009. In 2009, total petroleum products consumption is projected to fall by 200,000 bbl/d, or 1 percent.

Production. In 2008, domestic crude oil production is projected to average 4.9 million bbl/d, a decline of 130,000 bbl/d from last year (U.S. Crude Oil Production). However, domestic production is projected to increase in 2009 by 320,000 bbl/d to an average of 5.25 million bbl/d. This would be the first production increase since 1991. Contributing to the increase in output are the Gulf of Mexico Thunder Horse platform, which is coming on stream now, and the Tahiti platform, expected to come on stream late in 2009.

Prices. Having fallen from record highs to below \$50 per barrel, WTI prices are projected to average around \$100 per barrel in 2008. Under current economic assumptions and assuming no major crude oil supply disruptions, WTI prices are expected to average \$51 per barrel in 2009 (Crude Oil Prices), down from the \$63.50 projected in last month's *Outlook*.

Regular-grade gasoline prices averaged \$1.70 per gallon on December 8, down substantially from their July 14 peak of \$4.11 per gallon. They are projected to average \$2.03 per gallon in 2009, down from the \$2.37 per gallon projected in the previous *Outlook*. Because of continued weakness in motor gasoline consumption, the difference between the price of gasoline and the cost of crude oil is expected to remain low throughout the forecast.

Residential heating oil retail prices this winter are projected to average \$2.53 per gallon, a decrease of 78 cents from last winter's average. On-highway diesel fuel retail prices are projected to average \$2.47 per gallon in 2009, down \$1.33 from the 2008 average, compared with a \$1.16-per-gallon decline in the price of WTI crude oil. The projected continuation of the decline in the consumption of diesel fuel in the United States as well as a slowing of the growth in distillate fuel usage outside the United States are expected to result in a weakening of refining margins.

Spot propane prices are strongly influenced by both crude oil and natural gas prices. Residential retail propane prices are projected to average \$2.10 per gallon this winter, a decrease of 14 percent from the last winter heating season. However, with current low inventories, propane markets are likely to remain relatively tight this winter, with

the potential for upward pressure on residential propane prices if the recent colder-than-normal weather persists.

Natural Gas

Consumption. Total natural gas consumption, which is more weather-driven than oil consumption, is expected to increase by 0.5 percent in 2008 and remain flat in 2009 (Total U.S. Natural Gas Consumption Growth). Consumption is projected to be higher in every sector in 2008, except for electric power, primarily due to the projected 5.3-percent increase in heating degree-days compared with last year. In 2009, consumption in the residential, commercial, and electric power sectors is expected to grow, albeit slightly. However, poor economic conditions both domestically and worldwide are expected to hamper U.S. industrial production activities through the forecast period. As a result, natural gas consumption in the industrial sector is expected to decline by 2.4 percent in 2009.

Production and Imports. Total U.S. marketed natural gas production is expected to increase by 5.4 percent in 2008 and by 0.9 percent in 2009. Domestic natural gas production continues to surge behind strong growth in the Lower-48 onshore, where annual average production is expected to increase by 9.1 percent this year. However, a dip in recent drilling activity, reflecting lower average prices and poor economic conditions, is expected to limit onshore production growth to 0.8 percent in 2009. Production outages in the Federal Gulf of Mexico (GOM) caused by Hurricanes Gustav and Ike led to a decline in offshore production of 14.5 percent in 2008. Production in the Federal GOM is expected to increase by 1.8 percent in 2009. U.S. imports of liquefied natural gas (LNG) are expected to total about 360 billion cubic feet (Bcf) in 2008 and slightly over 400 Bcf in 2009, remaining well below the 2007 level.

Inventories. On November 28, 2008, working natural gas in storage was 3,358 Bcf (U.S. Working Natural Gas in Storage). Current inventories are now 69 Bcf above the 5-year average (2003–2007) and 107 Bcf below the level during the corresponding week last year.

Prices. The Henry Hub spot price averaged \$6.87 per Mcf in November. Natural gas prices, which have declined from a monthly average of \$13.06 per Mcf in June, reflect the impact of increased domestic production, the weak economy, and lower oil prices. While these factors are expected to lead to lower natural gas prices throughout the forecast period, the pass-through of higher natural gas prices paid earlier in the year for supplies that will be called upon to meet winter demand is expected to contribute to a small increase in heating expenditures this winter for households that use gas as

their primary heating fuel. On an annual basis, the Henry Hub spot price is expected to average \$9.17 per Mcf in 2008 and \$6.25 per Mcf in 2009, compared with \$7.17 per Mcf in 2007.

Electricity

Consumption. Total electricity consumption during 2008 is projected to be flat at about 2007 levels, as slight growth in the commercial and industrial sectors is balanced by decline in the residential sector, primarily as a result of milder summer temperatures (U.S. Total Electricity Consumption). Total electricity consumption is expected to decline in 2009 due to the slow growth in new housing construction and reduced demand in the industrial sector.

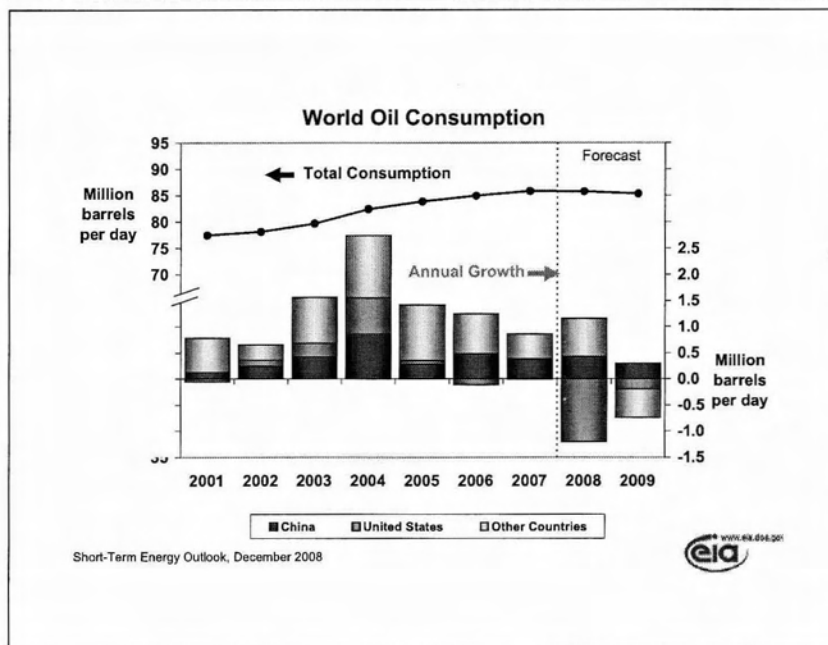
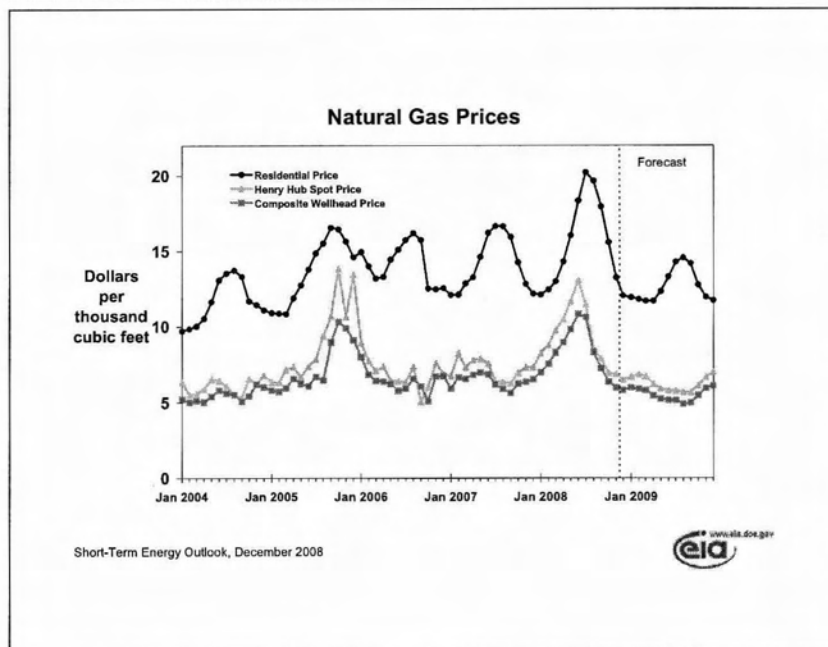
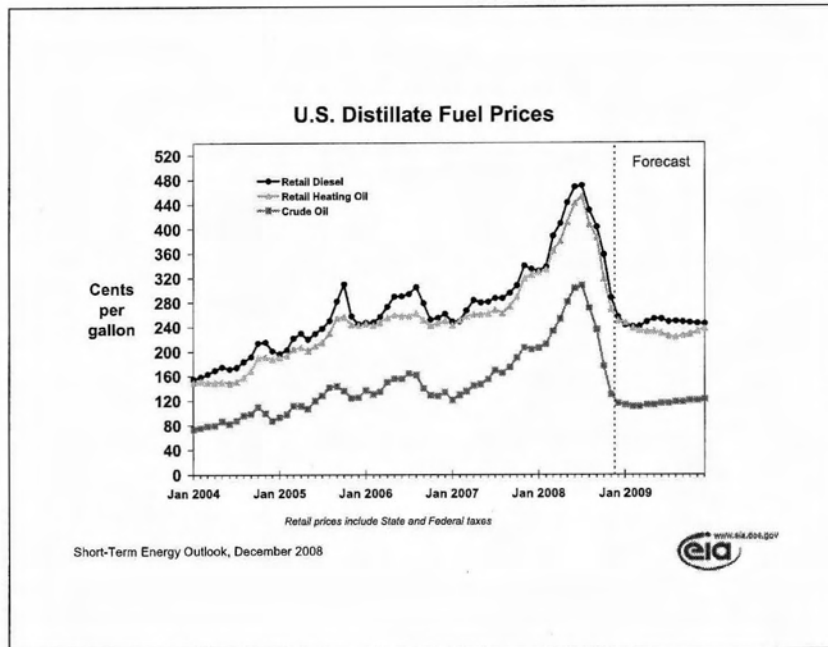
Prices. Spot prices for power generation fuels continue to decline from their peak summer levels. Residential electricity prices are expected to rise by 6 percent this year and by 5 percent in 2009 (U.S. Residential Electricity Prices).

Coal

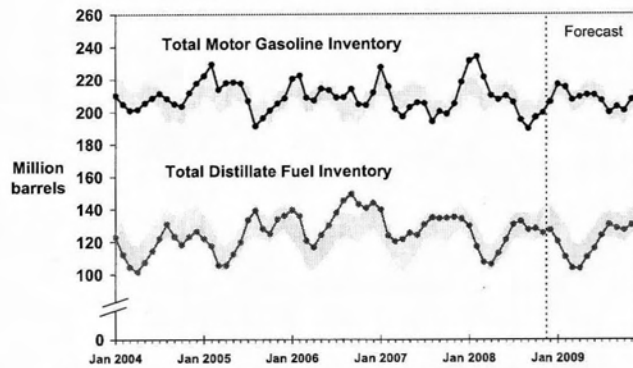
Consumption. Electric-power-sector coal consumption for the first half of 2008 grew by 1.3 percent, but a decline in summer (third quarter) electricity consumption is expected to limit annual electric-power-sector coal consumption growth to only 0.3 percent in 2008. An expected decline in electricity consumption in 2009, combined with projected increases from other generation sources (nuclear, natural gas, petroleum, and wind), will contribute to a projected 0.2-percent decline in electric-power-sector coal consumption. Consumption in the coke plant sector is expected to fall by 4.1 percent in 2008 and an additional 6.4 percent in 2009 (U.S. Coal Consumption Growth).

Production. A significant increase in coal exports in 2008 contributed to a 2.8-percent increase in coal production. Production is expected to fall by 2.6 percent in 2009 as lower total domestic coal consumption is combined with declines in exports and a small increase in imports. (U.S. Annual Coal Production).

Exports. Strong global demand for coal, combined with supply disruptions in several key coal-exporting countries (Australia, South Africa, and China), spurred an increase in U.S. coal exports. Although the supply disruptions have ended, worldwide demand for coal is projected to lead to a nearly 40-percent increase in U.S. coal exports in 2008. Reductions in global coal demand, coupled with the return to normal supply conditions in other major coal-producing and exporting countries are expected to reduce U.S. coal exports by 11 million short tons (a 13-percent decrease) in 2009.



U.S. Gasoline and Distillate Inventories

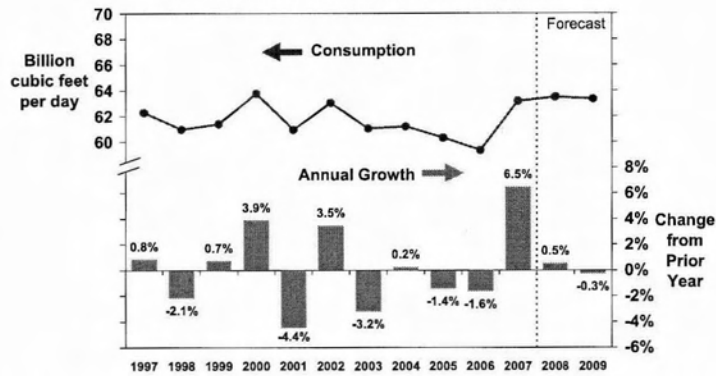


NOTE: Colored bands represent "normal" range published in EIA Weekly Petroleum Status Report, Appendix A.

Short-Term Energy Outlook, December 2008



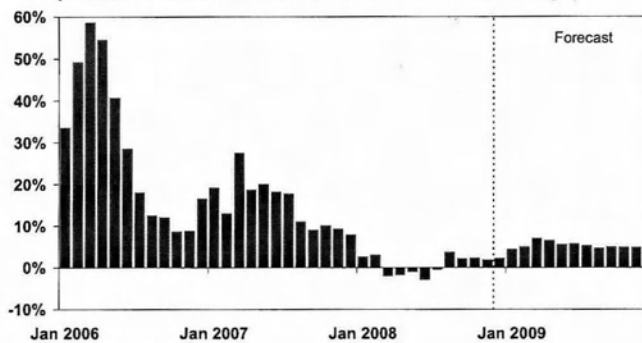
U.S. Total Natural Gas Consumption



Short-Term Energy Outlook, December 2008



U.S. Working Natural Gas in Storage (Percent Difference from Previous 5-Year Average)



Short-Term Energy Outlook, December 2008



**Montana-Dakota Utilities Co.
Pipeline Rate Changes Since Last COG
North Dakota**

Nova Gas Transmission LTD.

On November 18, 2008, TransCanada filed new rates for the Alberta System with the Alberta Energy and Utilities Board to be effective January 1, 2009.

Approximate impact on Montana-Dakota's cost of gas – (0.002) cents per dk

Foothills Pipe Lines Ltd.

On December 1, 2008, TransCanada filed new rates for the Foothills Pipe Lines Ltd. System with the National Energy Board to be effective January 1, 2009.

Approximate impact on Montana-Dakota's cost of gas – 0.003 cents per dk

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

	Firm		Small & Large Interruptible	Air Force Interruptible
	Residential & General Service	Optional Seasonal		
<u>Gas Cost Adjustment:</u>				
Gas Cost Level (Exhibit B)	\$6.507	\$6.589	\$5.600	\$5.575
Prior Gas Cost	5.528	5.609	4.638	4.617
Current Gas Cost Adjustment	\$0.979	\$0.980	\$0.962	\$0.958
<u>Surcharge Adjustment:</u>				
Current Adjustment	\$0.845	\$0.845	\$0.349	\$0.167
Prior Adjustment	0.845	0.845	0.349	0.167
Change in Surcharge Adjustment	\$0.000	\$0.000	\$0.000	\$0.000
<u>Market Based Pricing Differential</u>				
Current Adjustment	(\$0.008)	(\$0.008)	\$0.000	\$0.000
Prior Adjustment	(0.008)	(0.008)	0.000	0.000
Change in Margin Sharing Provision	\$0.000	\$0.000	\$0.000	\$0.000
Net Increase (Decrease) in Gas Costs	\$0.979	\$0.980	\$0.962	\$0.958
Gas Cost Level	\$6.507	\$6.589	\$5.600	\$5.575
Plus: Surcharge	0.845	0.845	0.349	0.167
Total Gas Cost Level in Tariff Rates	<u>\$7.352</u>	<u>\$7.434</u>	<u>\$5.949</u>	<u>\$5.742</u>

**MONTANA-DAKOTA UTILITIES CO.
CURRENT GAS COST ADJUSTMENT - NORTH DAKOTA
RESIDENTIAL AND GENERAL SERVICE
EFFECTIVE JANUARY 2009**

	Amount
Total Gas Costs 1/	\$89,116,733
Residential and General Service dk Requirements 2/	13,757,274
Average Cost of Gas per dk	\$6.478
Average Cost of Gas as Adjusted for Losses @ 99.55%	6.507
Less: Gas Cost Level in Rates 3/	5.528
Current Gas Cost Adjustment	\$0.979

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 -13 for currently effective pipeline rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit C.

2/ Normalized dk sales for the twelve months ended October 31, 2008, adjusted for losses at .45%.

3/ Gas Cost Level in Current Tariff Rates Case No. PU-08-867:

Cost of Purchased Gas	\$5.503
Adjustment for Distribution Losses	0.9955
Gas Cost Level in Base Tariff Rates	\$5.528

**MONTANA-DAKOTA UTILITIES CO.
CURRENT GAS COST ADJUSTMENT - NORTH DAKOTA
OPTIONAL SEASONAL - RATE 72
EFFECTIVE JANUARY 2009**

<u>Summer - June - September</u>	
Total Gas Costs 1/	\$89,116,733
Less: Annual MDDQ Costs 1/	<u>11,535,323</u>
Total Gas Costs excluding MDDQ	\$77,581,410
Firm Service Requirements 1/	13,757,274
Other Gas Costs per Dk (excluding MDDQ)	\$5.639
Summer Seasonal Rate, adjusted for losses 2/	5.664
 <u>Winter - October - May</u>	
Annual MDDQ Costs 1/	\$11,535,323
Winter Firm Service Requirements	12,542,657
MDDQ Costs per Winter Dk	\$0.920
Add: Other Gas Costs per Dk	<u>5.639</u>
Winter Seasonal Rate	6.559
Winter Seasonal Rate, adjusted for losses 2/	\$6.589
Less: Gas Cost Level in Rates 3/	<u>5.609</u>
 Current Gas Cost Adjustment	 <u><u>\$0.980</u></u>

1/ Exhibit B, page 1.

2/ Loss factor of .45%.

3/ Gas Cost Level in Current Tariff Rates Case No. PU-08-867:

	<u>Summer</u>	<u>Winter</u>
Cost of Purchased Gas	\$4.672	\$5.584
Adjustment for Distribution Losses	0.9955	0.9955
Gas Cost Level in Base Tariff Rates	\$4.693	\$5.609

**MONTANA-DAKOTA UTILITIES CO.
CURRENT GAS COST ADJUSTMENT - NORTH DAKOTA
INTERRUPTIBLE
EFFECTIVE JANUARY 2009**

	Amount
Total Gas Costs 1/	\$19,528,482
Interruptible Service dk Requirements	3,502,739
Average Cost of Gas per dk	\$5.575
Average Cost of Gas as Adjusted for Losses @ 99.55%	5.600
Less: Gas Cost Level in Rates 2/	4.638
Current Gas Cost Adjustment	\$0.962

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 -13 for currently effective pipeline rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit C, allocated to interruptible on MDDQ.

2/ Gas Cost Level in Current Tariff Rates Case No. PU-08-867:

Cost of Purchased Gas	\$4.617
Adjustment for Distribution Losses	0.9955
Gas Cost Level in Base Tariff Rates	\$4.638

MONTANA-DAKOTA UTILITIES CO.
CURRENT GAS COST ADJUSTMENT - NORTH DAKOTA
AIR FORCE INTERRUPTIBLE
EFFECTIVE JANUARY 2009

	<u>Amount</u>
Total Gas Costs 1/	\$4,906,160
Air Force Interruptible dk Requirements	880,000
Average Cost of Gas per dk	\$5.575
Less: Gas Cost Level in Rates 2/	<u>4.617</u>
Current Gas Cost Adjustment	<u><u>\$0.958</u></u>

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 -13 for currently effective pipeline rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit C, allocated to Air Force interruptible on MDDQ.

2/ Gas Cost Level in Current Tariff Rates Case No. PU-08-867:
Cost of Purchased Gas \$4.617

**Montana-Dakota Utilities Co.
Schedule of Applicable Effective Pipeline Rates
January 2009 PGA**

Williston Basin Interstate Pipeline Company - Exhibit B, pages 6 - 8 for Schedules FT-1, FTN-1, and FS-1.

Northern Border Pipeline Company – Exhibit B, pages 9-10 for Schedule T-1.

Foothills Pipe Lines, Ltd. - Billed on a cost of service basis so there are no tariff sheets.

NOVA Gas Transmission – Exhibit B, page 11 for Schedule FT-D.

Source Gas (f/k/a Kinder Morgan, Inc. and Northern Gas Company) – Contract rate so there are no tariff sheets.

NorthWestern Energy – Exhibit B, page 12 for Schedule T-FTG-1.

South Dakota Intrastate Pipeline – Exhibit B, page 13 for Rate 1.

NOTICE OF CURRENTLY EFFECTIVE RATES

(ALL RATES ARE STATED IN CENTS PER DEKATHERM OR EQUIVALENT DEKATHERM AS INDICATED)

RATE SCHEDULE	UNIT	BASE TARIFF RATE	ACA SURCHARGE	TOP THROUGHPUT SURCHARGE	GAS SUPPLY REALIGNMENT SURCHARGE	BASE TARIFF RATE PLUS SURCHARGES

RATE SCHEDULE FT-1						

RESERVATION CHARGE						
MAXIMUM DAILY DELIVERY QUANTITY (MDDQ)						
MAXIMUM	RATE PER EQV. DKT PER MO.	737.928	N.A.	N.A.	N.A.	737.928
MINIMUM	RATE PER EQV. DKT PER MO.	0.000	N.A.	N.A.	N.A.	0.000
COMMODITY CHARGE						
MAXIMUM A/B/	RATE PER DKT	3.120	0.170	N.A.	N.A.	3.290
MINIMUM A/B/	RATE PER DKT	3.120	0.170	N.A.	N.A.	3.290
SCHEDULED OVERRUN CHARGE						
MAXIMUM A/B/	RATE PER DKT	30.884	0.170	N.A.	N.A.	31.054
MINIMUM A/B/	RATE PER DKT	3.120	0.170	N.A.	N.A.	3.290

- A/ SHIPPER MUST REIMBURSE TRANSPORTER IN-KIND FOR TRANSPORTATION FUEL USE, LOST AND UNACCOUNTED FOR GAS. THE APPLICABLE PERCENTAGE IS 2.978%, CONSISTING OF 2.851% FOR THE CURRENT PERCENTAGE AND 0.127% FOR THE DEFERRAL PERCENTAGE. THIS PERCENTAGE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS TENDERED TO TRANSPORTER FOR SHIPPER'S ACCOUNT AT THE RECEIPT POINT(S) INTO TRANSPORTER'S TRANSMISSION FACILITIES.
- B/ SHIPPER MUST REIMBURSE TRANSPORTER FOR ELECTRIC POWER USED FOR TRANSPORTATION. THE APPLICABLE RATE IS 0.646 CENTS, CONSISTING OF 0.721 CENTS FOR THE CURRENT RATE AND (0.075) CENTS FOR THE DEFERRAL RATE. THIS RATE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS TENDERED TO TRANSPORTER FOR SHIPPER'S ACCOUNT AT THE RECEIPT POINT(S) INTO TRANSPORTER'S TRANSMISSION FACILITIES.

NOTICE OF CURRENTLY EFFECTIVE RATES

(ALL RATES ARE STATED IN CENTS PER DEKATHERM OR EQUIVALENT DEKATHERM AS INDICATED)

RATE SCHEDULE	UNIT	BASE TARIFF RATE	ACA SURCHARGE	TOP THROUGHPUT SURCHARGE	GAS SUPPLY REALIGNMENT SURCHARGE	BASE TARIFF RATE PLUS SURCHARGES

RATE SCHEDULE FTN-1						

RESERVATION CHARGE						
MAXIMUM DAILY DELIVERY QUANTITY (MDDQ)						
MAXIMUM	RATE PER EQV. DKT PER MO.	47.491	N.A.	N.A.	N.A.	47.491
MINIMUM	RATE PER EQV. DKT PER MO.	1.589	N.A.	N.A.	N.A.	1.589

Issued by: Keith A. Tiggelaar - Director of Regulatory Affairs

Issued on: May 19, 2005

Effective on: April 19, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. RP00-107, et al., issued April 19, 2005

NOTICE OF CURRENTLY EFFECTIVE RATES

(ALL RATES ARE STATED IN CENTS PER DEKATHERM OR EQUIVALENT DEKATHERM AS INDICATED)

RATE SCHEDULE	UNIT	BASE TARIFF RATE	ACA SURCHARGE	TOP THROUGHPUT SURCHARGE	GAS SUPPLY REALIGNMENT SURCHARGE	BASE TARIFF RATE PLUS SURCHARGES

RATE SCHEDULE FS-1						

CAPACITY RESERVATION						
MAXIMUM	RATE PER EQV. DKT PER MO.	2.102	N.A.	N.A.	N.A.	2.102
MINIMUM	RATE PER EQV. DKT PER MO.	0.000	N.A.	N.A.	N.A.	0.000
CAPACITY DELIVERABILITY						
MAXIMUM	RATE PER EQV. DKT PER MO.	190.602	N.A.	N.A.	N.A.	190.602
MINIMUM	RATE PER EQV. DKT PER MO.	0.000	N.A.	N.A.	N.A.	0.000
INJECTION						
MAXIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
WITHDRAWAL						
MAXIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
SCHEDULED OVERRUN CHARGE						
INJECTION						
MAXIMUM A/B/	RATE PER DKT	23.920	N.A.	N.A.	N.A.	23.920
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
WITHDRAWAL						
MAXIMUM A/B/	RATE PER DKT	23.920	N.A.	N.A.	N.A.	23.920
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888

- A/ SHIPPER MUST REIMBURSE TRANSPORTER IN-KIND FOR STORAGE FUEL USE, LOST AND UNACCOUNTED FOR GAS. THE APPLICABLE PERCENTAGE IS 0.535%, CONSISTING OF 0.670% FOR THE CURRENT PERCENTAGE AND (0.135%) FOR THE DEFERRAL PERCENTAGE. THIS PERCENTAGE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS INJECTED AND/OR WITHDRAWN BY TRANSPORTER FOR SHIPPER'S ACCOUNT AT TRANSPORTER'S STORAGE FACILITIES.
- B/ SHIPPER MUST REIMBURSE TRANSPORTER FOR ELECTRIC POWER USED FOR STORAGE. THE APPLICABLE RATE IS 0.476 CENTS, CONSISTING OF 0.428 CENTS FOR THE CURRENT RATE AND 0.048 CENTS FOR THE DEFERRAL RATE. THIS RATE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS INJECTED AND/OR WITHDRAWN BY TRANSPORTER FOR SHIPPER'S ACCOUNT AT TRANSPORTER'S STORAGE FACILITIES.

Northern Border Pipeline Company
FERC Gas Tariff
First Revised Volume No. 1

Twelfth Revised Sheet No. 99
Superseding
Eleventh Revised Sheet No. 99

STATEMENT OF RATES

	Commodity Rate -----
Annual Charge Adjustment (ACA) Rate (per Dekatherm) 1/	\$0.0017
Compressor Usage Surcharge (per 100 Dekatherm-miles) 2/	\$0.0023

1/ In accordance with the Commission's regulations, the authorized FERC unit charge per dekatherm is applied to physical transportation deliveries and is applicable to all transportation rate schedules. Pursuant to Section 16 of the General Terms and Conditions herein, the ACA is effectively charged at a rate of \$0.0002 per 100 Dekatherm-miles.

2/ Rate is charged in accordance with Section 45 of the General Terms and Conditions.

Issued by: Bambi L. Heckerman, Manager, Regulatory Affairs

Issued on: August 26, 2008

Effective on: October 1, 2008

Service	Rates, Tolls and Charges		
1. Rate Schedule FT-R	Refer to Attachment "1" for applicable FT-R Demand Rate per month & Surcharge for each Receipt Point Average Firm Service Receipt Price (AFSRP) \$183.99/10 ³ m ³		
2. Rate Schedule FT-RN	Refer to Attachment "1" for applicable FT-RN Demand Rate per month & Surcharge for each Receipt Point		
3. Rate Schedule FT-D	FT-D Demand Rate per month \$ 4.87/GJ		
4. Rate Schedule STFT	STFT Bid Price. Minimum bid of 100% of FT-D Demand Rate		
5. Rate Schedule FT-DW	FT-DW Bid Price. Minimum bid of 125% of FT-D Demand Rate		
6. Rate Schedule FT-A	FT-A Commodity Rate \$ 0.50/10 ³ m ³		
7. Rate Schedule FT-P	Refer to Attachment "2" for applicable FT-P Demand Rate per month		
8. Rate Schedule LRS	<u>Contract Term</u>		<u>Effective LRS Rate (\$/10³m³/day)</u>
	1-5 years		10.28
	6-10 years		8.59
	15 years		7.71
	20 years		6.84
9. Rate Schedule LRS-2	LRS-2 Rate per month \$50,000		
10. Rate Schedule LRS-3	LRS-3 Demand Rate per month \$129.55/10 ³ m ³		
11. Rate Schedule IT-R	Refer to Attachment "1" for applicable IT-R Rate & Surcharge for each Receipt Point		
12. Rate Schedule IT-D	IT-D Rate \$ 0.1759/GJ		
13. Rate Schedule FCS	The FCS Charge is determined in accordance with Attachment "1" to the applicable Schedule of Service		
14. Rate Schedule PT	<u>Schedule No</u>	<u>PT Rate</u>	<u>PT Gas Rate</u>
	9006-01000-0	\$ 60.50/d	1.0 10 ³ m ³ /d
15. Rate Schedule OS	<u>Schedule No.</u>	<u>Charge</u>	
	2003034359	\$ 212.00 / month	
	2008315264	\$ 69.00 / month	
	2008315632	\$ 56.00 / month	
	2008316530	\$ 8.00 / month	
	2008316531	\$ 5.00 / month	
	2008315263	\$ 6.00 / month	
	2008316532	\$ 52.00 / month	
	2008315634	\$ 7.00 / month	
	2007262175	\$ 438.00 / month	
	2008315627	\$ 1,831.00 / month	
	2008315265	\$ 17.00 / month	
	2008315631	\$ 49.00 / month	
	2008315262	\$ 163.00 / month	
	2008315630	\$ 71.00 / month	
	2008315628	\$ 191.00 / month	
	2008316529	\$ 8.00 / month	
	2008315633	\$ 2.00 / month	
	2008315629	\$ 2.00 / month	
	2003004522	\$ 83,333.00 / month	
16. Rate Schedule CO ₂	<u>Tier</u>	<u>CO₂ Rate (\$/10³m³)</u>	
	1	553.44	
	2	438.58	
	3	294.62	

NATURAL GAS TARIFF



Canceling 14th Revised Sheet No. 80.1
13th Revised Sheet No. 80.1

Schedule No. T-FTG-1

TRANSPORTATION BUSINESS UNIT
FIRM TRANSPORTATION NATURAL GAS SERVICE

APPLICABILITY: Applicable to Shippers for firm transportation service on the Utility Transmission System under the terms of a Firm Gas Transportation Service Agreement (Agreement) between the Utility Transportation Business Unit (Utility) and Shipper and as subject to Rate Schedule General Terms and Operating Conditions (Rate Schedule GTC-1).

RATES: Net Monthly Bill:

Monthly Service Charge per Meter:

Meters Rated @ Cu. Ft. per hour	Per Meter Charge
5,001 to 10,000	\$ 102.65
10,001 to 30,000	\$ 147.60
>30,000	\$ 327.50

PLUS:

Transmission Reservation Rate (Monthly Rate per MDDQ):

Maximum Monthly Reservation Rate for Maximum Daily Delivery Quantity (MDDQ)	\$ 8.392279
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Transmission Commodity Rate (Monthly Rate per Dkt):

Maximum	\$ 0.063595
Minimum	\$ 0.017935
GTAC Amortization	\$ 0.019020 (R)
Balancing Penalty Rate	Higher of \$25.00 / Dkt. Or 150% of Market Price

PLUS:

OTHER APPLICABLE CHARGES: All charges contained on other applicable rate schedules approved by the Public Service Commission of Montana.

GAS TRANSPORTATION ADJUSTMENT CLAUSE: Pursuant to MPSC Order the above GTAC Amortization shall be in effect until the balance is extinguished.

MINIMUM BILL: Per respective contracts.

(continued)

Rates as of August 1, 2008 pending PSC approval and signature.

GAS RATE SCHEDULE

South Dakota Intrastate Pipeline Company
1415 N. Airport Rd
Pierre, SD 57501
e Filed: January 24, 2001

SD P.U.C. Section No. 3
Original Sheet No. 1

Effective Date: January 10, 2001

TRANSPORTATION SERVICE Rate 1

Transportation rate is \$2.398 per dekatherm.

Issued By: Lisa A. Murphy, Vice President-Chief Financial Officer
STATE OF SOUTH DAKOTA
GAS RATE SCHEDULE

**MONTANA-DAKOTA UTILITIES CO.
RETURN ON CYCLE STORAGE BALANCES
AND PREPAID DEMAND AND COMMODITY BALANCES
NORTH DAKOTA GAS
EFFECTIVE JANUARY 2009**

	General Service		
	Storage Balance 1/	Commodity Balance 2/	Prepaid Demand
October 2008	\$11,590,437	\$1,100,150	\$3,040,391
November	10,556,096	970,618	2,462,061
December	7,184,446	647,354	1,165,222
January 2009	207,783	248,168	(394,946)
February	(4,206,222)	(13,048)	(1,323,459)
March	(4,868,275)	(89,374)	(1,911,264)
April	(4,896,070)	(116,166)	(1,740,493)
May	(3,225,445)	(57,998)	(1,030,334)
June	(276,669)	59,512	(45,121)
July	4,060,420	238,992	980,661
August	8,720,544	431,508	1,986,888
September	12,253,067	934,637	2,781,877
October	13,849,921	979,801	3,036,628
13 month average	<u>\$3,919,233</u>	<u>\$410,320</u>	<u>\$692,932</u>
Rate of Return	8.791%	8.791%	8.791%
Return	\$344,540	\$36,071	\$60,916
Return Requirement - Revenue	<u>\$570,525</u>	<u>\$59,730</u>	<u>\$100,871</u>

1/ Monthly balance from SENDOUT Model, allocated to North Dakota on ratio of storage capacity MDDQ.

2/ Monthly balance allocated to North Dakota on sales volumes.

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

	<u>(Over) Under Recovery</u>	<u>Refunds & 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>
Balance @ July 31, 2008									<u><u>\$11,725,941</u></u>
August	\$891,059	\$0	\$11,188	\$902,247	229,458	(\$0.233)	(\$33,640) 2/	\$935,887	12,661,828
September	(334,878)	0	7,928	(326,950)	286,271	0.000	0	(326,950)	12,334,878
October	(838,712)	0	4,631	(834,081)	479,761	0.845	183,238 3/	(1,017,319)	11,317,559
Balance @ October 31, 2008									<u><u>\$11,317,559</u></u>

1/ Interest calculated at 90 day Treasury Note rate.

2/ Reflects 144,378.1 Dk @ (\$0.233).

3/ Reflects 216,850.3 Dk @ \$0.845.

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

	<u>(Over) Under Recovery</u>	<u>Refunds & 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>
Balance @ July 31, 2008									<u><u>\$291,680</u></u>
August	\$155,690	\$0	\$284	\$155,974	35,230	(\$0.416)	(\$14,655) 2/	\$170,629	462,309
September	(28,185)	0	292	(27,893)	37,026	0.000	0	(27,893)	434,416
October	(163,211)	0	165	(163,046)	34,765	0.349	1 3/	(163,047)	271,369
Balance @ October 31, 2008									<u><u>\$271,369</u></u>

1/ Interest calculated at 90 day Treasury Note rate.

2/ Reflects 35,229 Dk @ (\$0.416).

3/ Reflects 2 Dk @ \$0.349.

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

	<u>(Over) Under Recovery</u>	<u>Refunds & 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>
Balance @ July 31, 2008									<u><u>\$121,188</u></u>
August	\$164,522	\$0	\$121	\$164,643	6,154	(\$0.135)	(\$831)	\$165,474	286,662
September	50,064	0	182	50,246	6,042	0.000	0	50,246	336,908
October	(44,176)	0	128	(44,048)	10,916	0.167	0 2/	(44,048)	292,860
Balance @ October 31, 2008									<u><u>\$292,860</u></u>

1/ Interest calculated at 90 day Treasury Note rate.

2/ Reflects 0 Dk @ \$0.167