

April 10, 2009

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

Re: Cost of Gas – Propane (COG)
Case No. PU-09-____

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 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 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 and the proposed surcharge adjustment calculated pursuant to the terms of Rate 99, which will apply during the month of May 2009. The net effect of this filing is a decrease of \$1.831 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 May 2009. The average cost of propane for all customers, adjusted for losses, is \$7.905 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, 2009 through April 30, 2011. The surcharge is negative \$0.547 per dk, a decrease of \$0.953 per dk for all customers. Absent the requested deviation of Rule 69-09-01-30 9, the surcharge adjustment would be negative \$1.094 per dk. Given the volatility of propane pricing and resulting effect on the deferred account, Montana-Dakota is proposing to amortize the

balance over two years to avoid a significant increase in May 2010.

The proposed adjustment, calculated in accordance with Rate 99, will amount to a decrease of approximately \$5,000 during the month of May 2009. All of Montana-Dakota's propane customers in North Dakota may be affected by this proposal. There were 334 propane customers in North Dakota as of March 31, 2009.

Montana-Dakota submitted a check for the amount of \$600.00 on December 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 January through December, 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
May 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 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. A decrease 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 MAY 2009**

Cost of Gas - Propane:

Current Propane Cost	\$7.905
Prior Propane Cost	<u>8.783</u>
Current Propane Cost Adjustment	<u><u>(\$0.878)</u></u>

Surcharge Adjustment:

Current Adjustment (Exhibit B)	(\$0.547)
Prior Adjustment	<u>0.406</u>
Change in Surcharge Adjustment	(\$0.953)

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 (\$1.831)

Propane Cost Level	\$7.905
Plus: Surcharge	<u>(0.547)</u>
Total Propane Cost Level in Rates	<u><u>\$7.358</u></u>

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

Cost of Purchased Propane	\$21,639
Gallons Purchased	30,054
Projected dk Sales	2,750
Propane Cost per Dk	\$7.869
Average Cost of Propane as Adjusted for Losses @ 99.55%	7.905
Less: Propane Cost Level in Rates 1/	<u>8.783</u>
Current Propane Cost Adjustment	<u><u>(\$0.878)</u></u>

1/ Propane Cost Level in Current Rates - Case No. PU-09-123

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

PROPANE

TO BE EFFECTIVE MAY 1, 2009 THROUGH APRIL 30, 2011

(Over)/under recovered gas costs @ February 28, 2009 (\$50,643)

Less: Projected recovery from rates already established

	Volume	Rate	Amount
March	7,318	\$0.406	2,971
April	4,800	0.406	1,949
	12,118		4,920

Additional recovery required (\$55,563)

Projected sales volumes (dk)

May 2009	2,800	
June	1,700	
July	1,300	
August	1,000	
September	1,300	
October	2,700	
November	5,000	
December	6,800	
January 2010	9,200	
February	8,400	
March	5,800	
April	4,800	
May	2,800	
June	1,700	
July	1,300	
August	1,000	
September	1,300	
October	2,700	
November	5,000	
December	6,800	
January 2011	9,200	
February	8,400	
March	5,800	
April	4,800	
Total	101,600	

Total (over)/under recovered gas cost adjustment
to be effective May 1, 2009 through April 30, 2011 (\$0.547)

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

	(Over) Under Recovery	Refunds & Other	Interest 1/	Total Net Additions	Actual Dk Sales	Adjustment Per Dk	Total Adjustment Amount	Net Change- Additions less Adjustment	Cumulative Balance
Balance @ February 29, 2008									<u>\$39,463</u>
March	(\$4,043)	\$0	\$28	(\$4,015)	5,822	(\$0.361)	(\$2,102)	(\$1,913)	37,550
April	(17,137)	0	27	(17,110)	4,858	(0.361)	(1,754)	(15,356)	22,194
May	(8,211)	0	22	(8,189)	2,923	0.406	1,187	(9,376)	12,818
June	4,762	0	13	4,775	1,850	0.406	751	4,024	16,842
July	(1,064)	0	14	(1,050)	1,267	0.406	514	(1,564)	15,278
August	(5,517)	0	15	(5,502)	1,006	0.406	408	(5,910)	9,368
September	18,827	0	6	18,833	1,407	0.406	571	18,262	27,630
October	(12,832)	0	11	(12,821)	2,374	0.406	964	(13,785)	13,845
November	(26,268)	0	1	(26,267)	4,187	0.406	1,700	(27,967)	(14,122)
December	(30,086)	0	0	(30,086)	6,728	0.406	2,734	(32,820)	(46,942)
January 2009	(3,156)	0	(3)	(3,159)	9,276	0.406	3,766	(6,925)	(53,867)
February	5,696	0	(9)	5,687	6,067	0.406	2,463	3,224	(50,643)
	<u>(\$79,029)</u>	<u>\$0</u>	<u>\$125</u>	<u>(\$78,904)</u>	<u>47,765</u>		<u>\$11,202</u>	<u>(\$90,106)</u>	<u>(\$50,643)</u>
Balance @ February 28, 2009									

1/ Interest calculated at 90 day Treasury Note rate.

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

	<u>1/</u>	<u>2/</u>	<u>3/</u>	<u>Total</u>
<u>March 2008</u>				
Cost of Gas - Actual	\$17.33176	\$17.56857		
Cost of Gas - Recovered	18.11400	18.11400		
(Over) Under recovery per dk	<u>(\$0.78224)</u>	<u>(\$0.54543)</u>		
dk billed	3,660	2,162		5,822
(Over) Under recovery	<u>(\$2,864)</u>	<u>(\$1,179)</u>		<u>(\$4,043)</u>
<u>April 2008</u>				
Cost of Gas - Actual	\$13.02135	\$17.33176		
Cost of Gas - Recovered	18.11400	18.11400		
(Over) Under recovery per dk	<u>(\$5.09265)</u>	<u>(\$0.78224)</u>		
dk billed	3,094	1,764		4,858
(Over) Under recovery	<u>(\$15,757)</u>	<u>(\$1,380)</u>		<u>(\$17,137)</u>
<u>May 2008</u>				
Cost of Gas - Actual	\$13.95372	\$13.02135		
Cost of Gas - Recovered	16.46700	16.46700		
(Over) Under recovery per dk	<u>(\$2.51328)</u>	<u>(\$3.44565)</u>		
dk billed	1,995	928		2,923
(Over) Under recovery	<u>(\$5,013)</u>	<u>(\$3,198)</u>		<u>(\$8,211)</u>
<u>June 2008</u>				
Cost of Gas - Actual	\$21.44541	\$13.95372		
Cost of Gas - Recovered	17.01700	17.01700		
(Over) Under recovery per dk	<u>\$4.42841</u>	<u>(\$3.06328)</u>		
dk billed	1,392	458		1,850
(Over) Under recovery	<u>\$6,165</u>	<u>(\$1,403)</u>		<u>\$4,762</u>
<u>July 2008</u>				
Cost of Gas - Actual	\$16.98658	\$21.44541		
Cost of Gas - Recovered	18.11500	18.11500		
(Over) Under recovery per dk	<u>(\$1.12842)</u>	<u>\$3.33041</u>		
dk billed	1,185	82		1,267
(Over) Under recovery	<u>(\$1,337)</u>	<u>\$273</u>		<u>(\$1,064)</u>
<u>August 2008</u>				
Cost of Gas - Actual	\$13.46398	\$16.98658		
Cost of Gas - Recovered	18.66300	18.66300		
(Over) Under recovery per dk	<u>(\$5.19902)</u>	<u>(\$1.67642)</u>		
dk billed	1,088	(82)		1,006
(Over) Under recovery	<u>(\$5,655)</u>	<u>\$138</u>		<u>(\$5,517)</u>

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

	1/	2/	3/	Total
<u>September 2008</u>				
Cost of Gas - Actual	\$32.93124	\$13.46398		
Cost of Gas - Recovered	18.66300	18.66300		
(Over) Under recovery per dk	\$14.26824	(\$5.19902)		
dk billed	1,343	64		1,407
(Over) Under recovery	\$19,157	(\$330)		\$18,827
<u>October 2008</u>				
Cost of Gas - Actual	\$12.05442	\$32.93124		
Cost of Gas - Recovered	18.66300	18.66300		
(Over) Under recovery per dk	(\$6.60858)	\$14.26824		
dk billed	2,237	137		2,374
(Over) Under recovery	(\$14,787)	\$1,955		(\$12,832)
<u>November 2008</u>				
Cost of Gas - Actual	\$10.17195	\$12.05442	\$10.17195	
Cost of Gas - Recovered	15.91900	18.66300	18.66300	
(Over) Under recovery per dk	(\$5.74705)	(\$6.60858)	(\$8.49105)	
dk billed	2,554	1,210	423	4,187
(Over) Under recovery	(\$14,677)	(\$7,996)	(\$3,595)	(\$26,268)
<u>December 2008</u>				
Cost of Gas - Actual	\$10.62325	\$10.17195	\$10.62325	
Cost of Gas - Recovered	14.27100	15.91900	15.91900	
(Over) Under recovery per dk	(\$3.64775)	(\$5.74705)	(\$5.29575)	
dk billed	3,891	1,920	917	6,728
(Over) Under recovery	(\$14,194)	(\$11,035)	(\$4,857)	(\$30,086)
<u>January 2009</u>				
Cost of Gas - Actual	\$13.22161	\$10.62325	\$13.22161	
Cost of Gas - Recovered	10.97800	14.27100	14.27100	
(Over) Under recovery per dk	\$2.24361	(\$3.64775)	(\$1.04939)	
dk billed	5,288	4,170	(182)	9,276
(Over) Under recovery	\$11,863	(\$15,210)	\$191	(\$3,156)
<u>February 2009</u>				
Cost of Gas - Actual	\$13.04960	\$13.22161	\$13.04960	
Cost of Gas - Recovered	13.17300	10.97800	10.97800	
(Over) Under recovery per dk	(\$0.12340)	\$2.24361	\$2.07160	
dk billed	3,365	2,989	(287)	6,067
(Over) Under recovery	(\$415)	\$6,705	(\$594)	\$5,696

1/ Consumed in current month.
2/ Consumed in prior month.
3/ True-up of prior month volumes.