

December 9, 2013

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

Re: Cost of Gas Adjustment
(COG) Rate 99
Case No. PU-12-008

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 two (2) copies of a Cost of Gas (COG) propane change pursuant to the terms of Rate 99.

Montana-Dakota will not seek a cost of gas (COG) adjustment change for the month of January 2014. The COG Adjustment tariff (Rate 88), Section 2(b) provides that "Montana-Dakota shall file to reflect changes in its average cost of gas supply only when the amount of change in such COG is at least 10 (ten) cents per dk." The COG adjustment for the month of January 2014 results in a change of less than 10 cents per dk, and therefore, in accordance with the authorized tariff, Montana-Dakota will not seek a COG adjustment change for the month of January.

Attachment A is the Rate Summary Sheet (120th Revised Sheet No. 3) showing the proposed propane rates, to be effective with service rendered January 1, 2014.

Montana-Dakota purchases propane supplies from various wholesale suppliers. The cost of propane has increased since the last COG filing due to an increase in the market price of propane. Attachment B page 1 explains the reasons for the increase in the market price of propane.

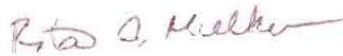
Exhibit A, page 1 summarizes the cost of gas – propane calculated pursuant to the terms of Rate 99, which will apply during the month of January 2014. The net effect of this filing is an increase of \$2.196 per dk for all customers from the currently effective rates.

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 2014. The average cost of propane for all customers, adjusted for losses, is \$15.919 per dk.

This proposed adjustment, calculated in accordance with Rate 99, will amount to an increase of approximately \$16,500 for propane customers during the month of January 2014. All of Montana-Dakota's retail propane customers in North Dakota may be affected by this proposal. There were 342 propane customers in North Dakota as of October 31, 2013.

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,



Rita A. Mulkern
Director of Regulatory Affairs

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
120th Revised Sheet No. 3
Canceling 119th 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 ¹ | 4 | \$0.30 per day | \$0.812 | \$4.842 | \$5.654 |
| Air Force Rate 64 ¹ | 7 | \$1,000.00 per month \$135.00 per month | | | |
| Minot Air Force Base | | | | | |
| PAR Site | | | | | |
| Firm Service | | | \$0.138 | \$4.842 | \$4.980 |
| Interruptible Service - PAR | | | \$0.120 | \$3.963 | \$4.083 |
| Interruptible Service - MAFB | | | \$0.120 | \$4.011 | \$4.131 |
| Firm General Service Rate 70 ¹ | 13 | \$0.52 per day \$1.75 per day | | | |
| Meters rated < 500 cubic feet | | | \$0.597 | \$4.842 | \$5.439 |
| Meters rated > 500 cubic feet | | | | | |
| Small Interruptible Gas Rate 71 ² | 14 | \$100.00 per month | (Maximum) \$0.871 | \$3.963 | (Maximum) \$4.834 |
| Optional Seasonal Gas ¹ | | | | | |
| Service Rate 72 | 15 | \$0.52 per day \$1.75 per day | | | |
| Meters rated < 500 cubic feet | | | \$0.597 | \$4.929 | \$5.526 |
| Meters rated > 500 cubic feet | | | | | |
| Transportation Service ¹ | 24 | \$150.00 per month \$725.00 per month | | | |
| Small Interruptible Rate 81 | | | | | |
| Maximum | | | \$0.427 | | |
| Minimum | | | \$0.102 | | |
| Fuel Charge | | | | \$0.017 | |
| Large Interruptible Rate 82 | | | | | |
| Maximum | | | \$0.298 | | |
| Minimum | | | \$0.061 | | |
| Fuel Charge | | | | \$0.017 | |
| Large Interruptible Gas Rate 85 ³ | 27 | \$675.00 per month | (Maximum) \$0.719 | \$3.963 | (Maximum) \$4.682 |
| Residential Propane Rate 90 ¹ | 32 | \$0.30 per day | \$0.812 | \$15.130 | \$15.942 |
| Firm General Propane Rate 92 ¹ | 34 | \$0.52 per day \$1.75 per day | | | |
| Meters rated < 500 cubic feet | | | \$0.597 | \$15.130 | \$15.727 |
| Meters rated > 500 cubic feet | | | | | |

1/ Interim increase of 15.678% applicable to amounts billed under Basic Service Charge and Distribution Delivery Charge.

2/ Interim increase of 8.671% applicable to amounts billed under Basic Service Charge and Distribution Delivery Charge.

3/ Interim increase of 9.382% applicable to amounts billed under Basic Service Charge and Distribution Delivery Charge.

Date Filed: December 9, 2013

Effective Date:

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.:

MONTANA-DAKOTA UTILITIES CO.
COST OF GAS - PROPANE TARIFF SHEET
NORTH DAKOTA PROPANE
EFFECTIVE JANUARY 2014

Cost of Gas - Propane

| | |
|----------------------------------|-----------------------|
| Current Propane Cost (Exhibit A) | \$15.919 |
| Prior Propane Cost | <u>13.723</u> |
| Current Propane Cost Adjustment | <u><u>\$2.196</u></u> |

Surcharge Adjustment

| | |
|--------------------------------|----------------|
| Current Adjustment | (\$0.777) |
| Prior Adjustment | <u>(0.777)</u> |
| Change in Surcharge Adjustment | \$0.000 |

Market Based Pricing Differential

| | |
|------------------------------------|----------------|
| Current Adjustment | (\$0.012) |
| Prior Adjustment | <u>(0.012)</u> |
| Change in Margin Sharing Provision | \$0.000 |

Net Increase (Decrease) in Gas Costs

\$2.196

| | |
|-----------------------------------|------------------------|
| Propane Cost Level | \$15.919 |
| Plus: Surcharge | <u>(0.777)</u> |
| Total Propane Cost Level in Rates | <u><u>\$15.142</u></u> |

MONTANA-DAKOTA UTILITIES CO.
COST OF GAS - PROPANE
NORTH DAKOTA
EFFECTIVE JANUARY 2014

| | |
|---|-----------------------|
| Cost of Purchased Propane | \$118,849 |
| Gallons Purchased | 81,965 |
| Projected dk Sales | 7,500 |
| 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>13.723</u> |
| Current Propane Cost Adjustment | <u><u>\$2.196</u></u> |

1/ Propane Cost Level in Current Rates - Case No. PU-13-008, effective December 1, 2013.

**Montana-Dakota Utilities Co.
Market Conditions for Regional Propane
January 2014**

Montana-Dakota uses two 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 January prices for propane have increased 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. As seasonal usage increases, this has resulted in an increase 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.gov>