



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

March 23, 2005

Ms. Pamela Bonrud
Executive Director
South Dakota Public Utilities
Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

Re: General Natural Gas Rate Application
Docket No. NG05-____

Dear Ms. Bonrud:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits its application for approval to increase its rates for natural gas service in its East River jurisdiction. This application does not affect the rates applicable to those customers receiving natural gas service in Montana-Dakota's Black Hills service area.

Montana-Dakota encloses herein an Original and ten (10) copies of this Letter of Transmittal, Application with Appendices A and B, Testimony and Exhibits and supporting Statements that document the need for this request to increase rates for natural gas service. This filing is made in accordance with Administrative Rules of South Dakota (ARSD), Sections 20:10:13:26 and 20:10:13:39 through 20:10:13:104 inclusive.

The primary reasons for Montana-Dakota's need for an increase result from increased operating expenses (operation and maintenance costs, depreciation and taxes other than income), an increase in the investment in facilities used to provide natural gas service to customers and because volume levels have been significantly lower than authorized in the initial rates established almost twelve years ago.

Montana-Dakota's non-gas rates for its East River jurisdiction have not increased since the initial rates were established in August 1993 as authorized in Docket NG93-003.

Montana-Dakota proposes a total annual increase of \$849,745 or 12.8%, based on a 2004 test year adjusted for known and measurable changes. The proposed change in rates will result in a monthly increase of \$9.10 per month or 18% on average to residential customers. The Firm General Service class will experience an average annual increase of 9% under the proposed rates.

The proposed rate changes do not affect the recovery of the cost of purchased gas, which is separately reflected in retail rates (and recovered monthly) through the Purchased Gas Cost Adjustment.

Included in Appendix B of the Application is a second set of the affected tariffs on which Montana-Dakota has indicated the revisions requested by lining through the existing language, which the Company proposes to delete, and underlining the new proposed language.

In accordance with ARSD 20:10:13:39(6), it is noted that the proposed rates may potentially affect 5,800 gas customers located in the Company's East River service area in South Dakota. Attached as Exhibit A is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26.

The Company will comply with ARSD 20:10:13:18 by posting a Notice of the proposed rates, as shown on Exhibit B, in each of its business offices in its East River gas service territory affected by the proposed change.

Please refer all inquiries regarding this filing to:

Mr. Donald R. Ball
Assistant Vice President-
Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleading to:

Mr. Daniel S. Kuntz
Senior Attorney
MDU Resources Group, Inc.
P. O. Box 5650
Bismarck, ND 58506-5650

Mr. David A. Gerdes
May, Adam, Gerdes & Thompson
503 South Pierre Street
P.O. Box 160
Pierre, South Dakota 57501-0160

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
Assistant Vice President-
Regulatory Affairs

Attachments

cc: D.S. Kuntz
D.A. Gerdes

Report of Tariff Schedule Change

NAME OF UTILITY: Montana-Dakota Utilities Co.
 ADDRESS: 400 North Fourth Street
 Bismarck, ND 58501

Section No.	Class of Service	New Sheet No.
1	Table of Contents	2nd Revised Sheet Nos. 1-1.1
2	Preliminary Statement	1st Revised Sheet No. 1
3	Residential Gas Service Rate 60	2nd Revised Sheet No. 2
3	East River Natural Gas System Residential Gas Service Rate 66	1st Revised Sheet No. 7 Original Sheet No. 7.1
3	Firm General Gas Service Rate 70	2nd Revised Sheet No. 11
3	Small Interruptible General Gas Service Rate 71	1st Revised Sheet No. 12
3	Optional Seasonal General Gas Service Rate 72	3rd Revised Sheet No. 13
3	East River Natural Gas System Firm General Gas Service Rate 76	Original Sheet Nos. 17-17.1
3	Transportation Service Rates 81 and 82	1st Revised Sheet No. 22
3	Large Interruptible General Gas Service Rate 85	2nd Revised Sheet No. 26
3	Distribution Delivery Stabilization Mechanism Rate 87	2nd Revised Sheet No. 28 1st Revised Sheet No. 28.1
3	Purchased Gas Cost Adjustment Rate 88	1st Revised Sheet Nos. 29, 29.2 & 29.4
3	East River Natural Gas System Purchased Gas Cost Adjustment Rate 89	1st Revised Sheet Nos. 30-30.5
4	List of Gas Contracts with Deviations	3rd Revised Sheet No. 1
5	Interruptible Gas Service Extension Policy Rate 119	1st Revised Sheet No. 19

Change: Rates, applicability, and availability
 (State part of tariff schedule affected by change, such as: Applicability, availability, rates, etc.)

Reason for Change: To enable Company to earn an adequate return on its investment.

Present Rates	\$6,638,912
Proposed Rates	\$7,488,657
Approximate annual reduction in revenue	
Approximate annual increase in revenue	\$ 849,745

Points Affected	Estimated Number of Customers Whose Cost of Service will be:					
	Reduced		Increased		Unchanged	
	# of Customers	Amount in \$	# of Customers	Amount in \$	# of Customers	Amount in \$
East River System	NONE		5,800	\$849,745		

Include Statement of Facts, expert opinions, documents and exhibits supporting the change requested.

Received: _____

Montana-Dakota Utilities Co.
 (Reporting Utility)

By: _____
 Executive Director
 South Dakota
 Public Utilities Commission

By: Donald R. Ball
 Assistant Vice President -
 Regulatory Affairs

On March 24, 2005, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., filed with the South Dakota Public Utilities Commission revised gas rates affecting Montana-Dakota Utilities Co.'s gas customers in East River. These proposed rates, and South Dakota rules and regulations, are available in this office for inspection. Please inquire at the cashier's desk.